



# MAX

מַכְסָעַדָּה

## Investor Presentation

### November 2020



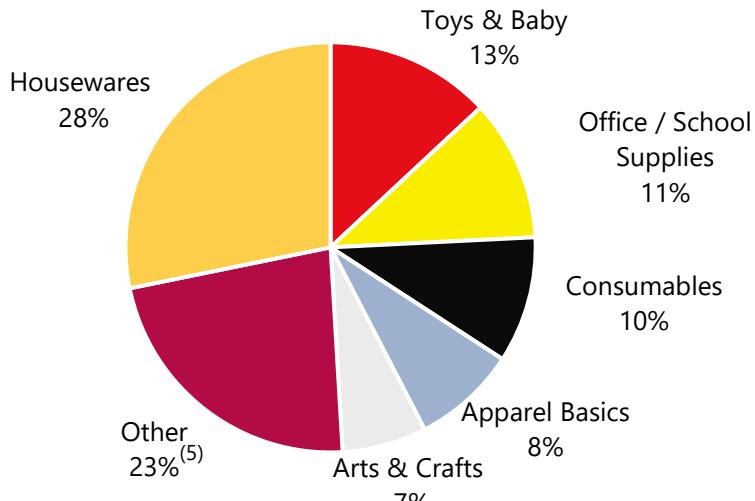
# The Value Leader of Israeli Retail



## Company Overview

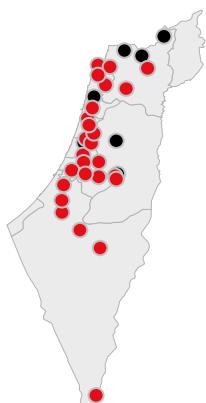
- A leading extreme value retailer of everyday essential items in Israel.
  - Up to 50% lower prices than conventional retailers.
- Broad selection of merchandise across six major categories.
  - Known for exciting entry aisle of constantly rotating seasonal favorites.
- Operate 50 stores<sup>(1)</sup> across all market segments via dual format strategy
  - Max: Large format (average ~1,800 SqM / ~19,500 SqFt<sup>(2)</sup>) 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<sup>(3)</sup>
- Deep and developed management team with collaborative culture.

## Broad Selection of Quality Products<sup>(4)</sup>

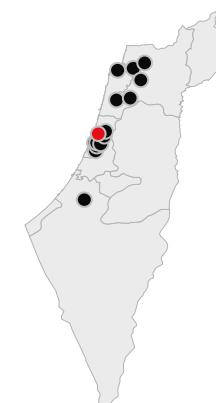


## 50 Locations Across Israel<sup>(1)</sup>

**Max**  
(35 Stores)



**Max 20**  
(15 Stores)



● Company Operated Stores

● Franchised Stores

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 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

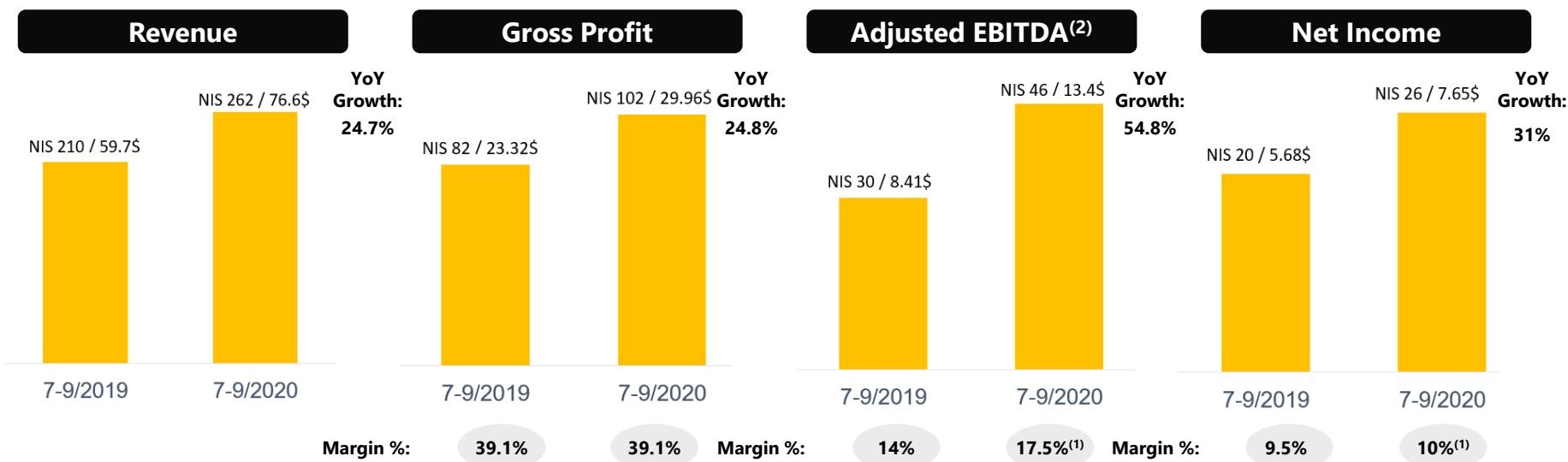
- Total revenue growth: 31% (8% excluding onetime bulk operation)
- Same store sales growth: 2% (excluding period that the stores were closed: 19%)\*
- Gross profit growth: 14% (8% excluding onetime bulk operation)
- EBITDA growth (post IFRS16): 34% (21% excluding onetime bulk operation)
- Net income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

# 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

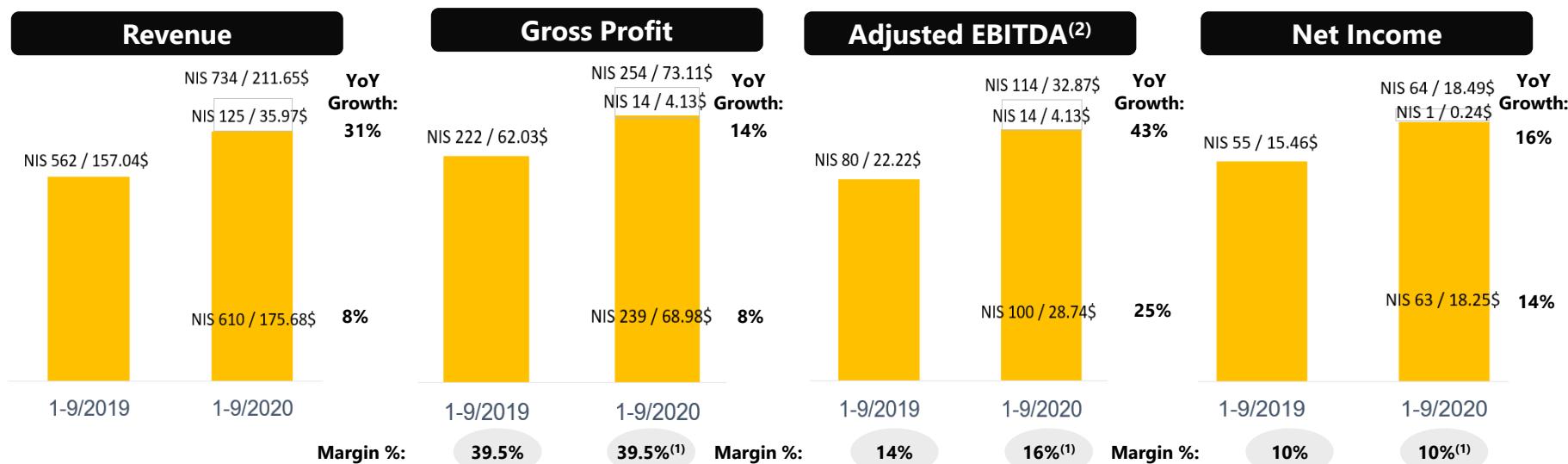
(1) Adjusted EBITDA defined as Net Income + Net Interest Expenses + D&A + Other Expenses – the impact of IFRS 16; see appendix for a reconciliation.

# 1-9/2020 Financial Update



(NIS / USD Millions)

- Due to COVID-19, on March 15<sup>th</sup>, 2020, the Israeli government began to restrict travel and retail operations, resulting in business disruptions and store closures for Max until May 1<sup>st</sup>, 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.



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.

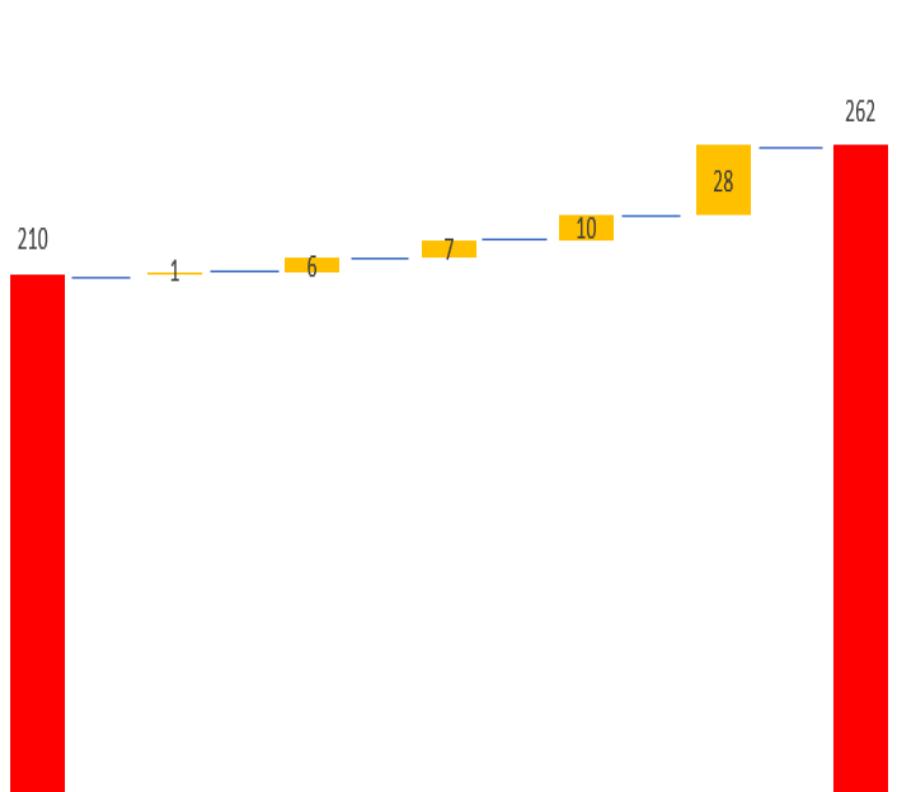
# Summary P&L

	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	-
<b>Total revenue</b>	<b>210,132</b>	<b>261,970</b>	<b>24.7%</b>	<b>562,208</b>	<b>734,411</b>	<b>30.6%</b>
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%
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	-
<b>EBT</b>	<b>26,118</b>	<b>36,096</b>	<b>38.2%</b>	<b>72,274</b>	<b>86,265</b>	<b>19.4%</b>
Taxes	6,140	9,932	61.8%	16,915	22,114	30.7%
<b>Net Income</b>	<b>19,978</b>	<b>26,164</b>	<b>31.0%</b>	<b>55,359</b>	<b>64,151</b>	<b>15.9%</b>
	<b>9.5%</b>	<b>10.0%</b>	<b>-</b>	<b>9.8%</b>	<b>8.7%</b>	<b>-</b>
<b>EBITDA Post IFRS 16</b>	<b>39,769</b>	<b>57,810</b>	<b>45.4%</b>	<b>109,614</b>	<b>147,164</b>	<b>34.3%</b>
% of Sales	18.9%	22.1%	-	19.5%	20.0%	-
<b>EBITDA Pre IFRS 16</b>	<b>29,595</b>	<b>45,824</b>	<b>54.8%</b>	<b>79,895</b>	<b>114,074</b>	<b>42.8%</b>
% of Sales	14.1%	17.5%	-	14.2%	15.5%	-

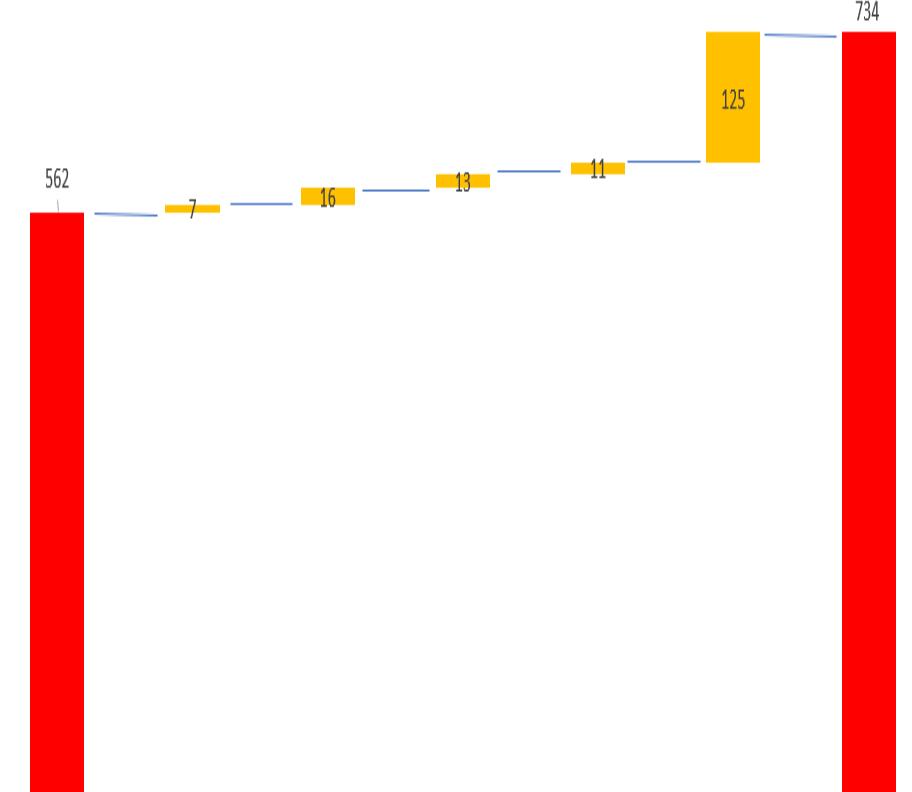
# Revenue Bridge

## Multiple drivers of growth

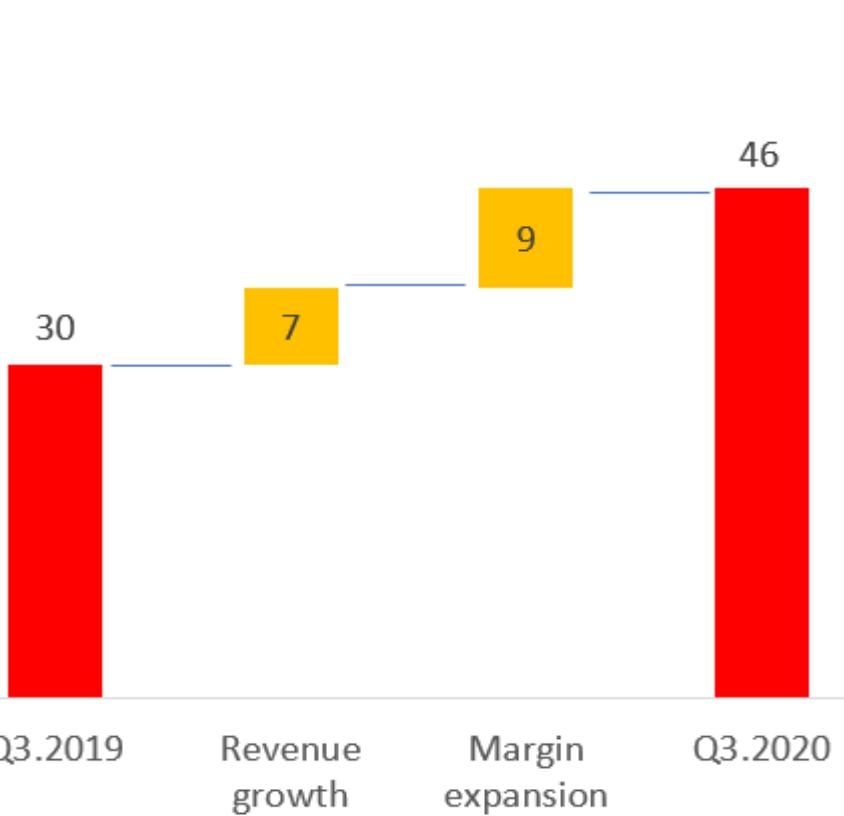
Q3 2020 Vs Q3 2019



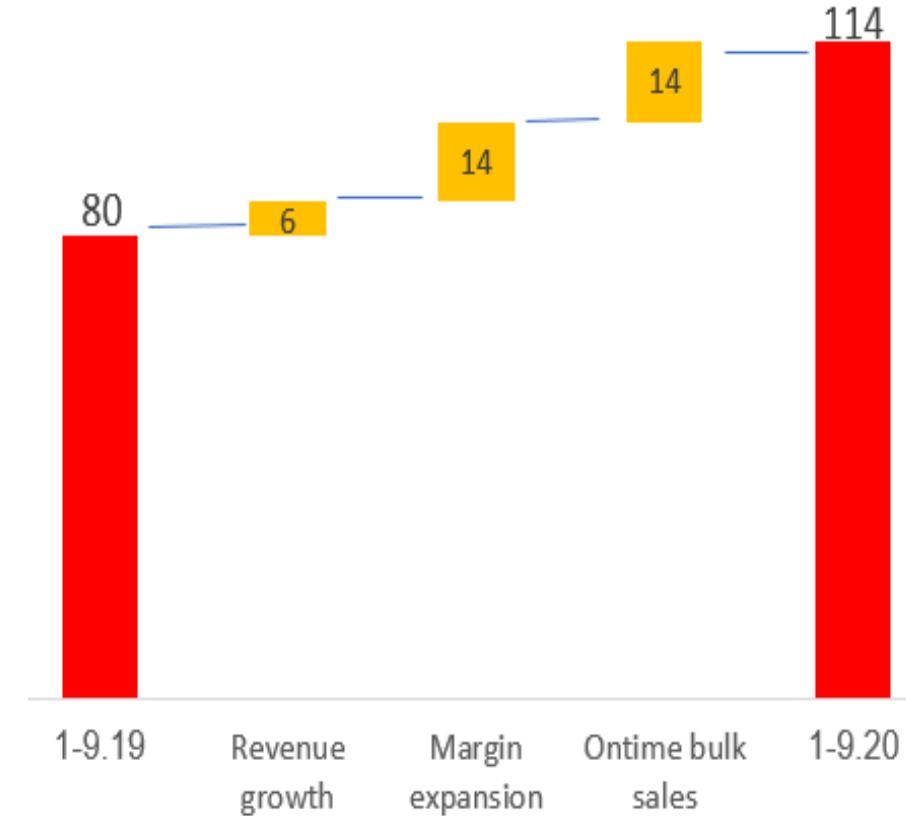
9 Months 2020 Vs 9 Months 2019



Q3 2020 Vs Q3 2019



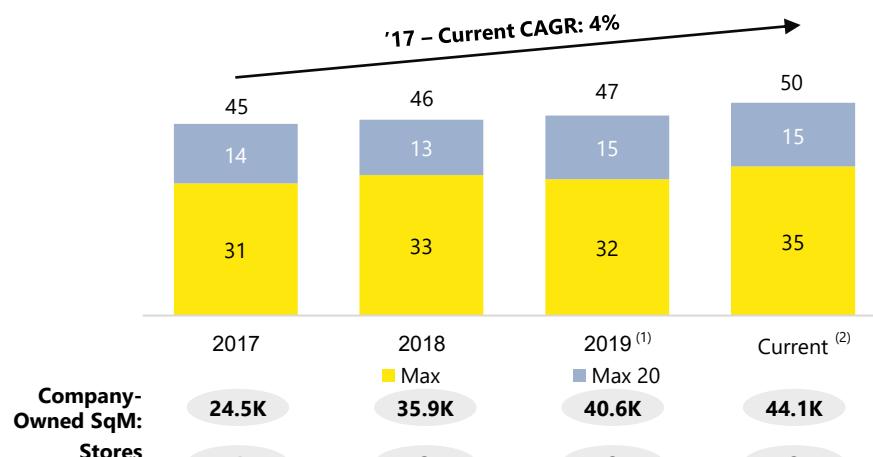
9 Months 2020 Vs 9 Months 2019



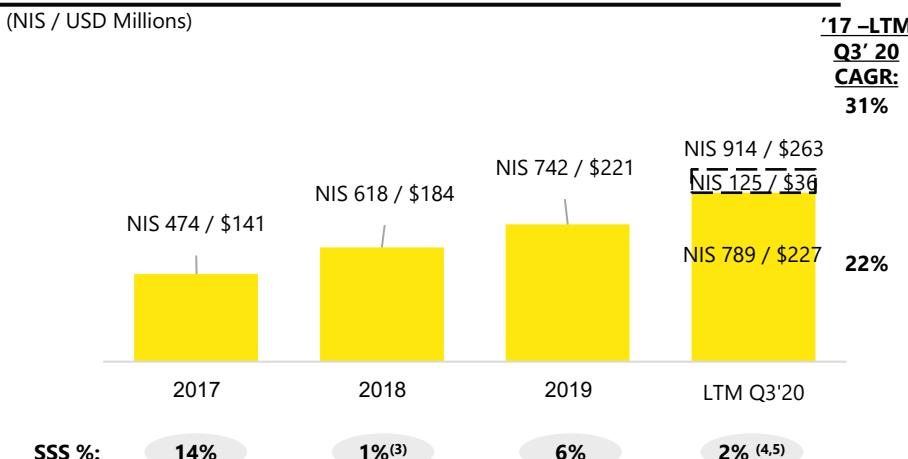
# LTM in context of historical Financial Performance



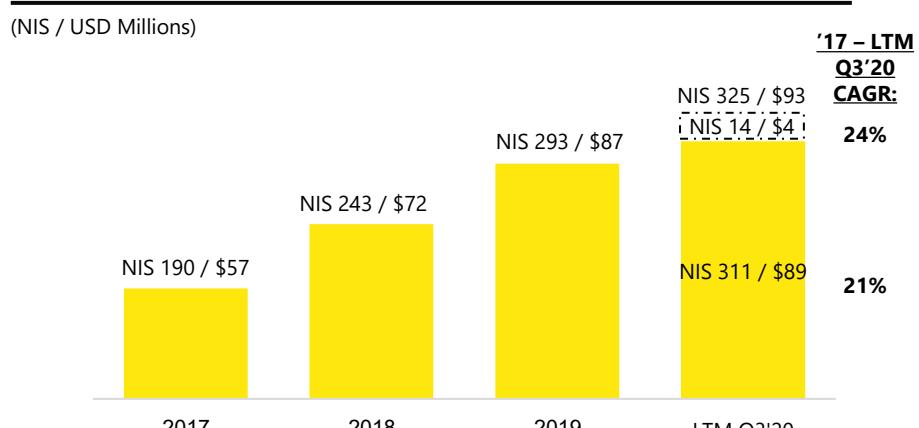
## Number of Stores and SqM



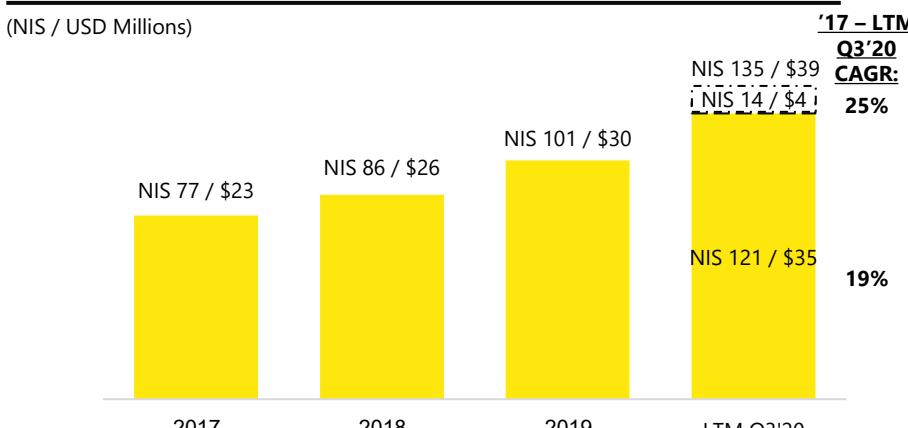
## Revenue



## Gross Profit



## Adjusted EBITDA<sup>(6)</sup>



Represents opportunistic sales from personal protective equipment

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

## 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
<b>Total Debt</b>	<b>NIS 78,299 / \$ 22,755</b>
<b>Net Cash (Debt)</b>	<b>NIS 77,144 / \$ 22,419</b>

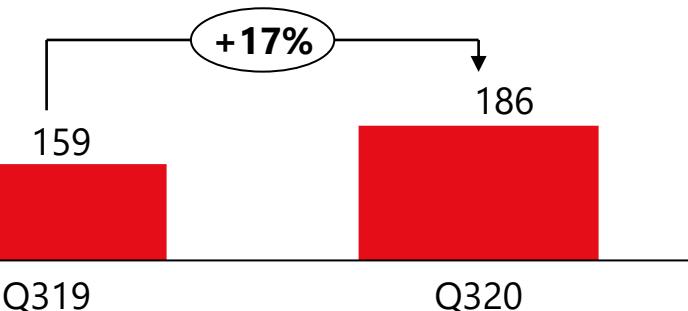
## Summary Balance Sheet

(NIS Thousands)

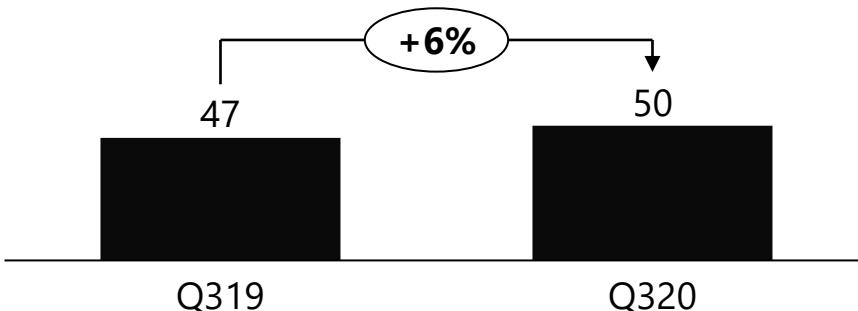
Balance Sheet as of	9/30/2020	9/30/2019	12/31/2019
Current Assets	344,696	230,686	217,777
Right of Use Assets	370,334	318,768	370,165
Other Non-Current Assets	53,291	44,348	44,955
<b>Total Assets</b>	<b>768,321</b>	<b>593,802</b>	<b>632,897</b>
Short-Term Lease Liabilities	49,758	42,566	47,216
Other 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
<b>Total Liabilities</b>	<b>598,370</b>	<b>487,112</b>	<b>512,841</b>
Equity	169,951	106,690	120,056
<b>Total Liabilities and Equity</b>	<b>768,321</b>	<b>593,802</b>	<b>632,897</b>

# Bottom line: delivering on our growth strategy

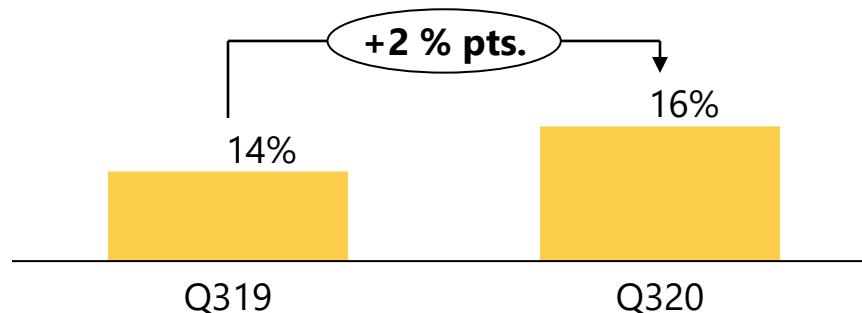
## Drive Comparable Store Sales



## 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
<b>Increase in cash and cash equivalents</b>	<b>13,682</b>	<b>48,886</b>

# 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
<b>Net Income</b>	<b>53,621</b>	<b>58,814</b>	<b>70,274</b>	<b>79,066</b>
(+) 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
<b>Adjusted EBITDA (Pre-IFRS 16)</b>	<b>77,425</b>	<b>86,140</b>	<b>100,527</b>	<b>134,706</b>
(+) IFRS 16 Adjustment	NA	NA	40,662	44,033
<b>Adjusted EBITDA (Post-IFRS 16)</b>	<b>NA</b>	<b>NA</b>	<b>141,189</b>	<b>178,739</b>

(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
<b>Net Income</b>	<b>71,898</b>	<b>-1,624</b>	<b>70,274</b>	<b>70,274</b>

## 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
<b>Net Income</b>	<b>57,153</b>	<b>-1,794</b>	<b>55,359</b>	<b>55,359</b>

## 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
<b>Net Income</b>	<b>68,484</b>	<b>-4,333</b>	<b>64,151</b>	<b>63,329</b>