

Shufersal

Company Presentation

January 2021



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Shufersal At a Glance

Founded in 1957 as Israel's 1st modern supermarket, Shufersal is the leading and largest food retailer in the country

Wide range of retail formats catering to all segments of the population, with nationwide footprint

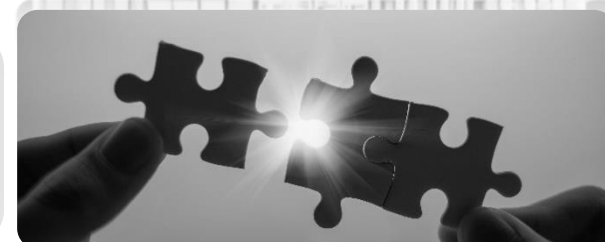
Three main segments:

- Retail (includes online, private label, B2B and finance) – 94% of sales⁽¹⁾
- Be (Pharma) – 5% of sales⁽¹⁾
- Real Estate (commercial properties incl. Shufersal stores) – 1% of sales⁽¹⁾

100% free float

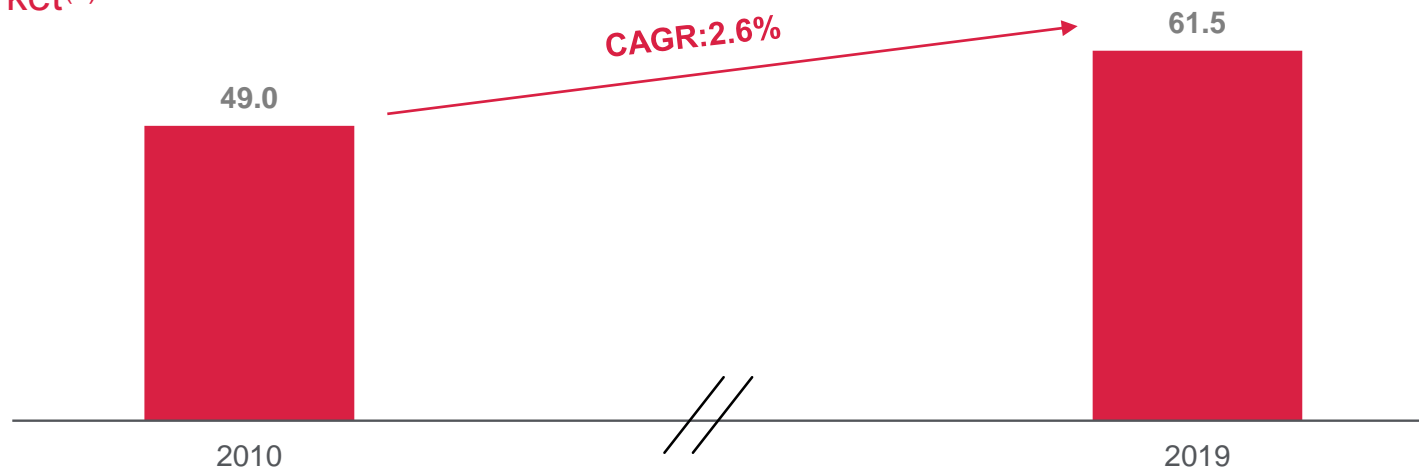
Stable and experienced management team

Pioneered online retail in Israel with largest e-commerce website in the country
Developing marketplace offering



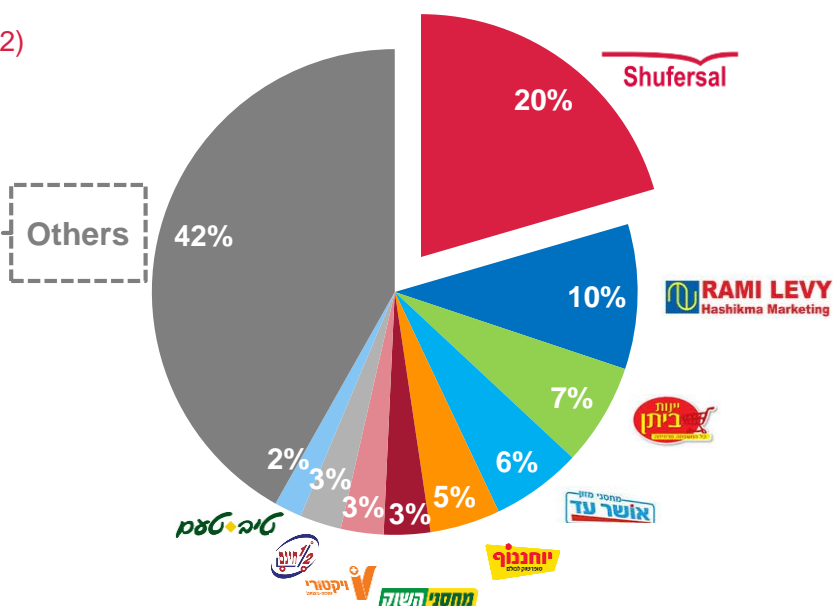
Israel Food Retail Sector Overview

Food Retail Market⁽¹⁾
(NISbn)



Key Players & Market Shares⁽²⁾
Total Food Retail, 2019

Strong potential for Shufersal
B2B to capture market share
in the future



Shufersal – Key Metrics



NIS 14.7bn
LTM Revenue



10% LTM
EBITDA Margin



12.4% YoY Increase
in Same Store Sales



20% Food Retail
Market Share⁽¹⁾



20.1% Online
Share⁽²⁾⁽³⁾



25.6% Private
Label Share⁽²⁾



300 Shufersal Stores
85 Be Stores



623k Cardholders



NIS 2.6B Property
Owned Value



c.18,000
Employees



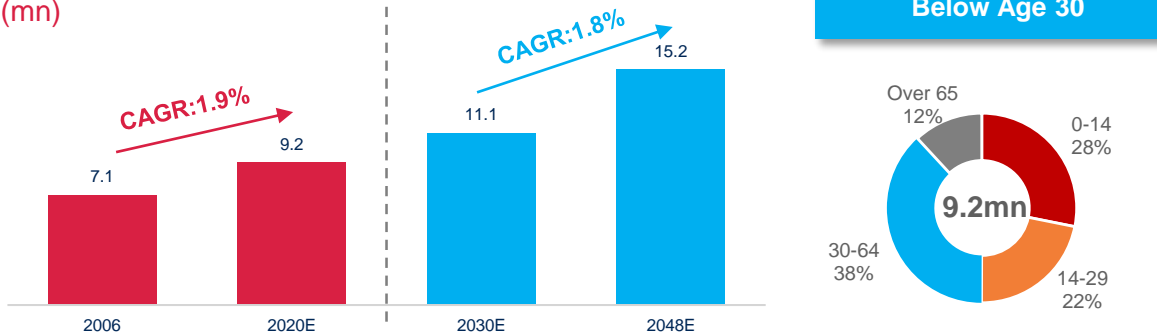
NIS 6.0bn⁽⁴⁾
Market Cap.,
Member of TASE-35



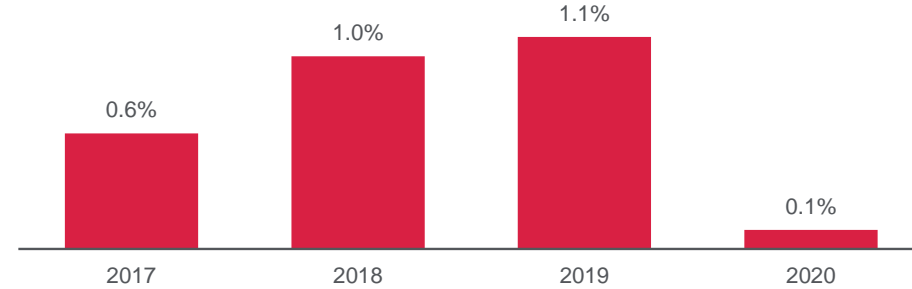
iIAA-
S&P Maalot
Rating

Favorable Macro-Economic Environment

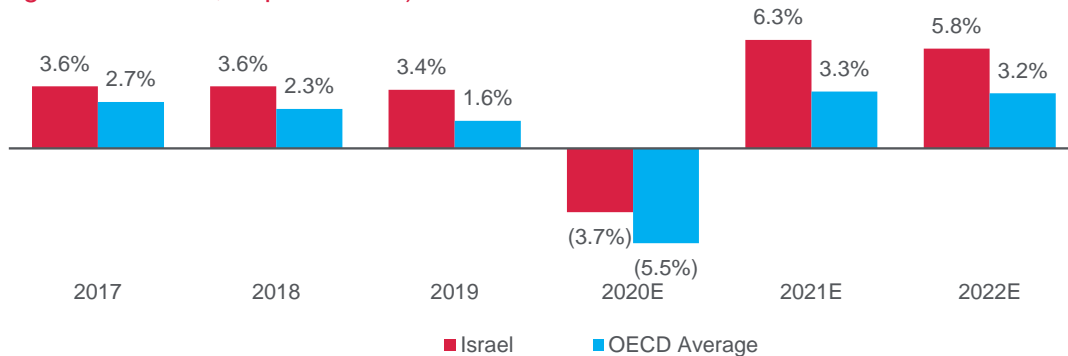
Young and Growing Population⁽¹⁾ (mn)



Stable Macro Environment with Controlled Inflation Storennext Food Retail Market Index⁽²⁾

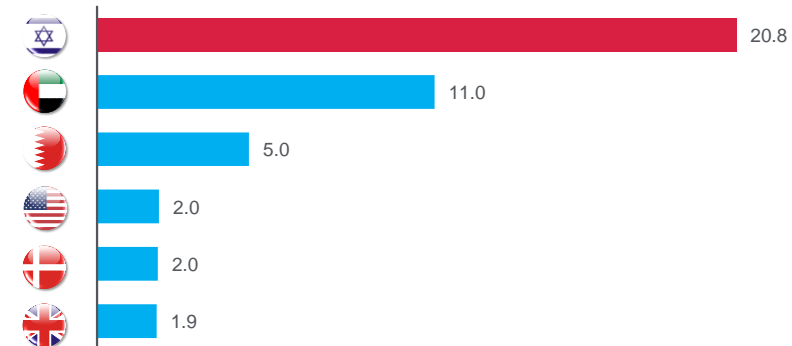


Robust Economic Growth (change in real GDP, % per annum)⁽³⁾



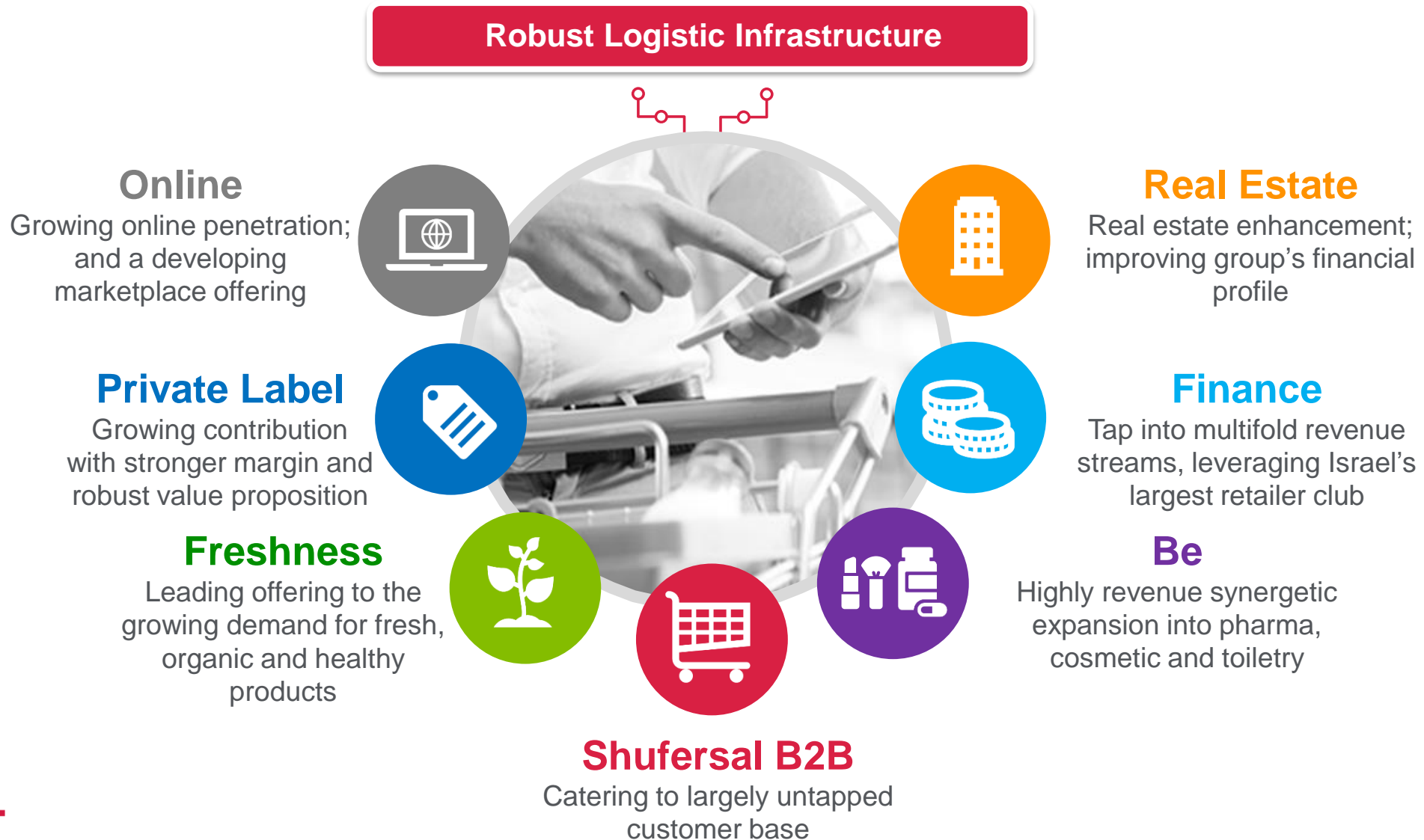
Leading the Way in Vaccine Rollout

Cumulative COVID-19 vaccination doses administered per 100 people⁽⁴⁾



- One of the youngest and fastest growing population amongst developed countries
- Standard of living has consistently improved in recent years, fueling the growth of the retail market

Growth Strategy















Retail



Shufersal

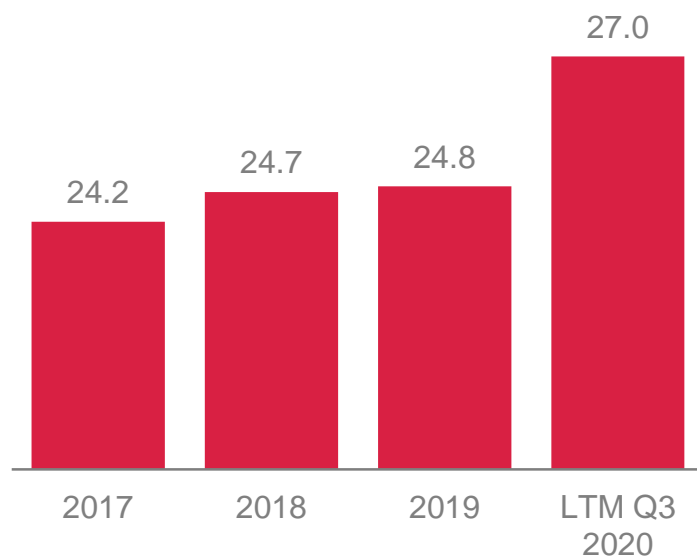
Food Retail – Overview

- Wide range of formats catering to all segments of the population
- Leveraging Israeli innovation through best-in-class technologies such as grab-and-go and mobile self checkout

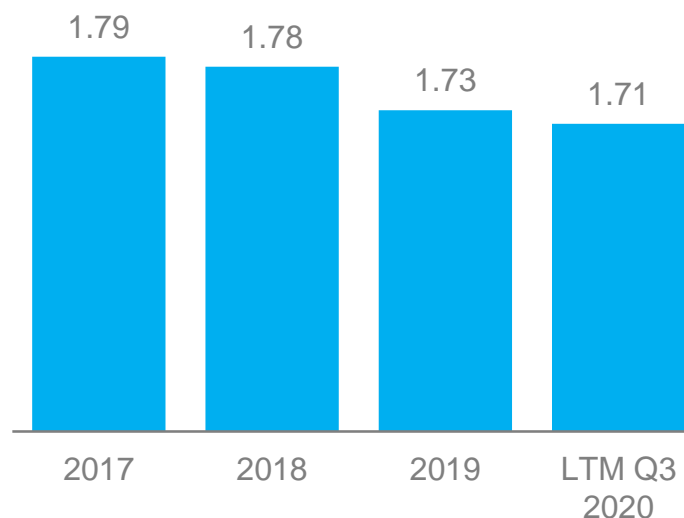
			 No. of Stores (3Q20)	 9M20 Stores Opening	 % of Retail Sales (2019)
 Discount	   	<ul style="list-style-type: none"> ▪ Low prices ▪ Wide range of products ▪ Caters to all segments of population incl. to growing ultra-orthodox ▪ Online available across the country via website or app 	138	+2	80%
 Urban & Proximity	  	<ul style="list-style-type: none"> ▪ Smaller store space ▪ Range of products adapted to targeted population and store size ▪ Focus on convenience, fresh, service and availability 	160	+6	20%

Strong and Steady Performance Across All Retail KPIs

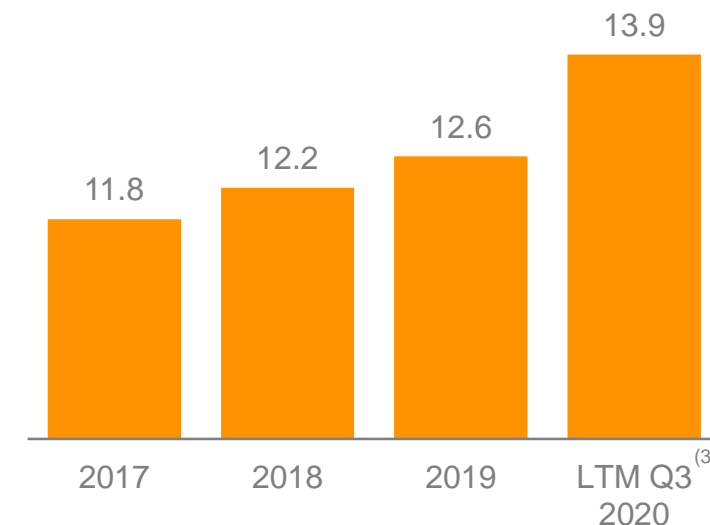
Sales per sqm⁽¹⁾⁽²⁾
(K NIS)



Avg. Commercial space per store⁽²⁾
(K sqm)



Total Retail Sales
(NISbn)

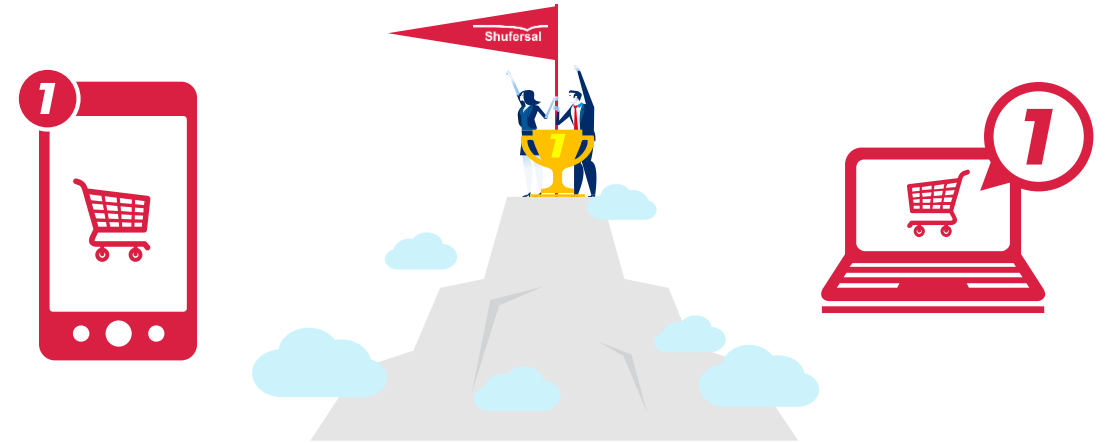


Shufersal Online: Israel's #1 E-commerce Website

Shufersal Online Overview

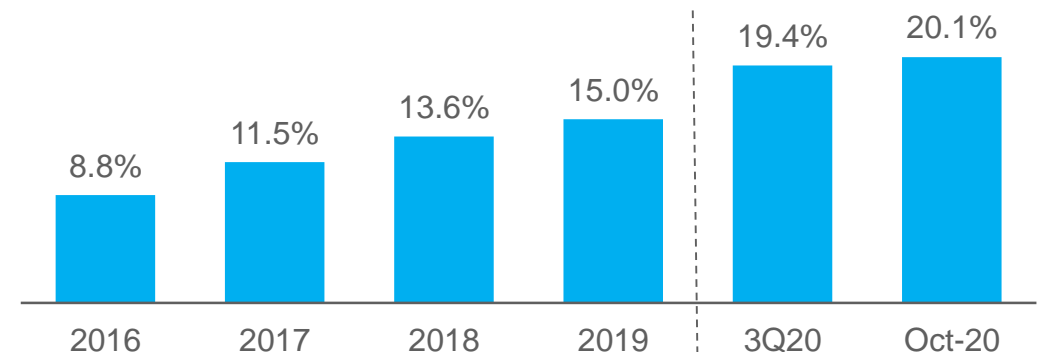
- **Pioneered** retail shift to online in Israel with 1st version of Shufersal Online website and application **in 2013**
 - Comprehensive website overhaul in 2019
- **1st mover advantage** allows to maintain clear leadership
- **Nationwide footprint**, backed by robust logistic infrastructure **covering 100% of the population**
- More **diversified offering** than physical stores
 - Additional non-food items (e.g. furniture, appliances, travel)
 - “Be” pharma and cosmetic products
 - Catering to the growing ultra-Orthodox market
- Customized marketing outreach through loyalty programme of over 2mn households
- Leveraging the Shufersal online platform to generate additional traffic and revenue through **marketplace business model**

#1 Market Share Outpacing Competitors...



...with Rapidly Increasing Online Sales

Online Sales as % of Sales in Shufersal Stores



Most Advanced Automated Shipping Infrastructure

Strategic goal to double online profitability and free up existing branch real estate

- Started to invest in automated order fulfillment centers and **in 2018, well ahead of competition**
 - Strategic initiative to complement 8 existing manual online shipping facilities of 27k sqm
- c. NIS650mn investment** in the establishment of two fully automated shipping centers
 - Kadima - Expected Operation in early 2Q21 (8k sqm)
 - Modiin - Expected Operation 2022 (40k sqm)
- Future planning of **2-4 additional automated shipping centers**

- ☒ Freshness
- ☒ Availability
- ☒ Breadth of products
- ☒ Same day delivery



1st generation
Pickup at the store



2nd generation
Dark store

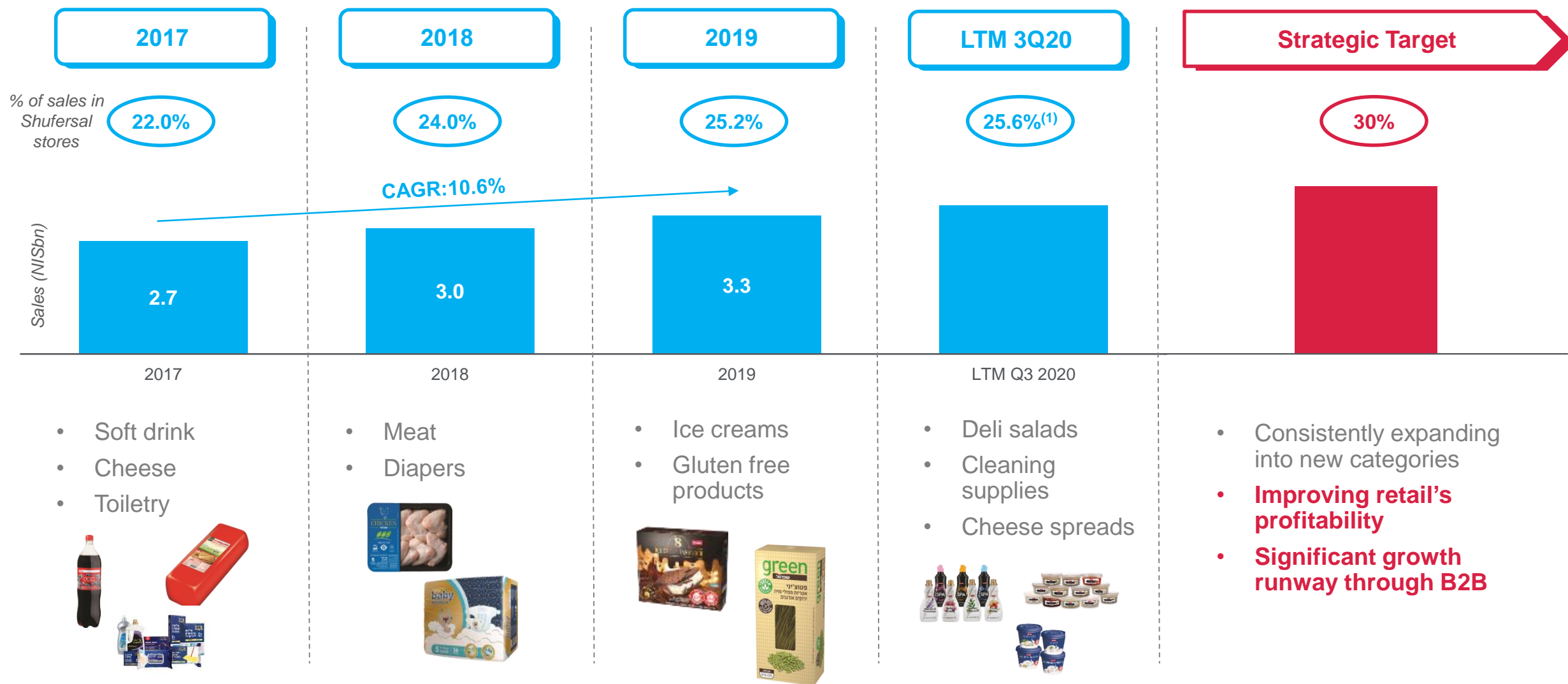


3rd generation
Semi automatic

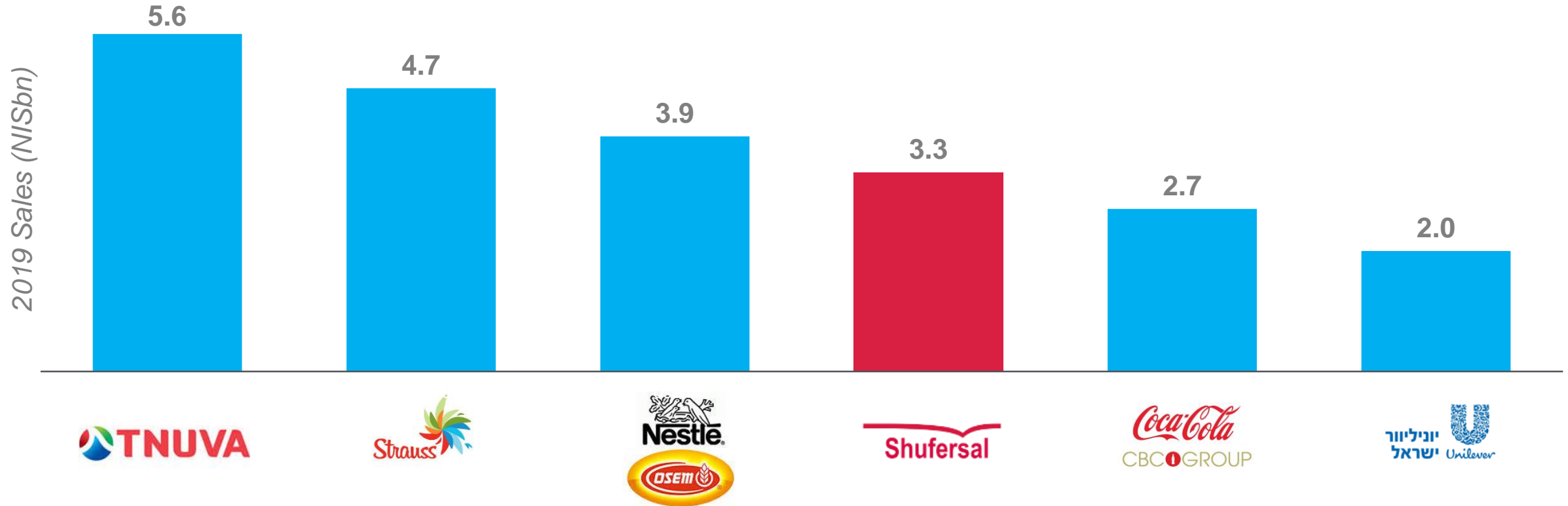


4th generation
Fully automatic / robotic

Consistent Expansion of Private Label



Shufersal Private Label: the 4th Largest Food Brand in Israel



- Shufersal private label is synonymous with high quality and attractive prices for consumers
- Only grocery retail player in Israel with private label brand

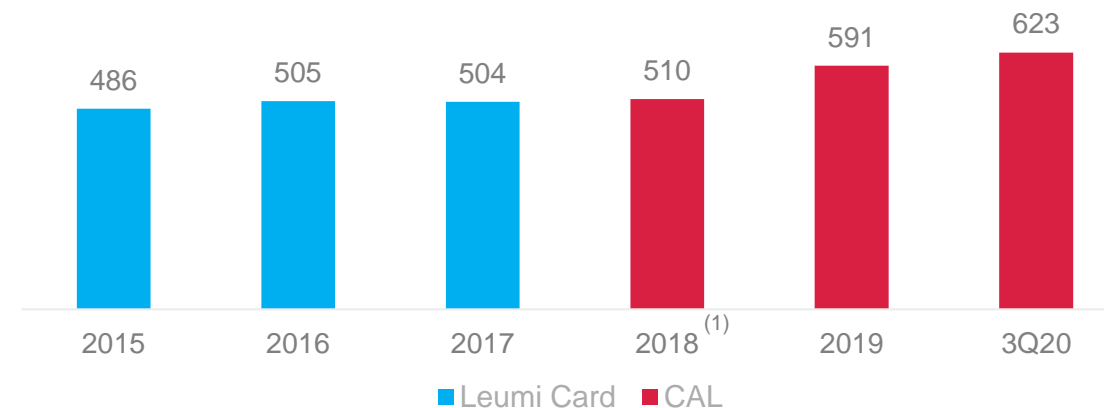
Israel's Largest Retailer Club

Retailer Club Overview

- **#1 Loyalty programme** with over **2mn households**
- Retailer club offers **unique discounts and benefits** to members
- Gather granular data on each member and provide dedicated targeted offering, including via e-mail, text message and the application
- Most loyal customers convert into the credit card retailer club, which is **Israel's leading credit card club**
 - High and steady average spend per card
- **Revenue share model** with credit card operator based on issuance and credit income
- Cards issued by leading credit card company CAL, leveraging Shufersal distribution network

Evolution of Active Cards Over Time

(k)



Growth Levers

- Leverage Shufersal's retail footprint in order to recruit new members
- Provide attractive **non-bank credit offering**
- Continue to recruit "Be" customers through retail club
- Boost private label through consistent discounts

Shufersal B2B – Tapping into Fragmented Wholesale Market

Cash & Carry

Opened 1st store in 2018 targeting urban mini-markets and kiosks (respectively c. 6,500 and c. 2,500 points of sales)

Attractive value proposition to merchants: one stop shop solution with lower prices

Currently 2 stores, with another one in construction; online site launched in early 2019

“Rural Region”

Providing solutions for groceries in rural communities and “kibbutzim”

Serving about 430 points of sale nationwide

An online site for business customers only – over 3,000 customers

Cash & Carry and “Rural Region” represent a **compelling growth opportunity**, catering to an overall **fragmented market of NIS11.5bn** composed of mini-markets, on-the-go stores and groceries, growing at 5+% historically⁽¹⁾

Shufersal B2B – Tremendous Potential in Institutional Market

'Singles'

Restaurants, Cafes,
Hotels and Event Venues

Market Size NIS8bn

2012-2018
CAGR 6%

No. of
Customers 9,000

'Chains'

Hotels, Cafes and
Restaurants

Market Size NIS4bn

2012-2018
CAGR 6%

No. of
Customers 150

'Institutions'

Large Organizations
Providing Catering Services
to Employees

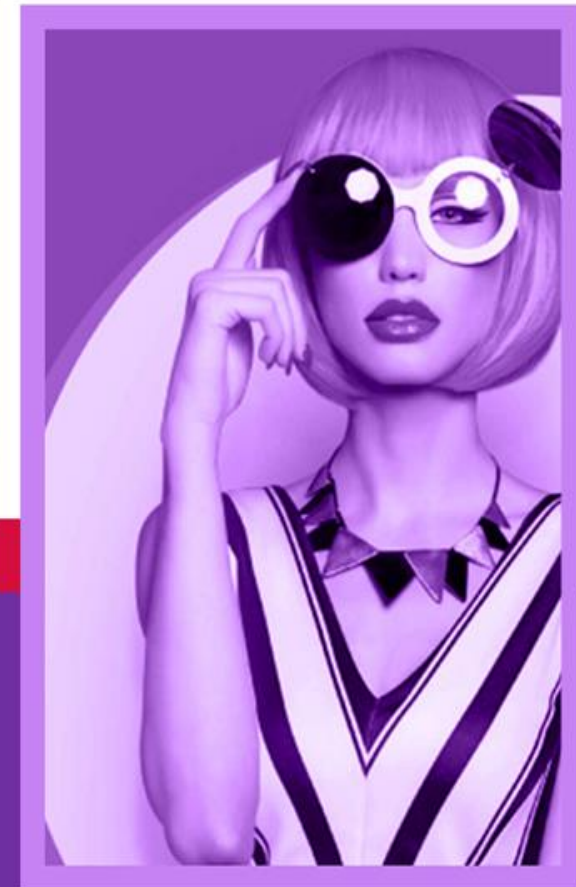
Market Size NIS5bn

2012-2018
CAGR 1.5%

No. of
Customers 4,500

Amiga acquisition in Oct-20 of Amiga Food Marketing will help providing dedicated offering to the sizeable and currently underserved institutional market

Be



Shufersal

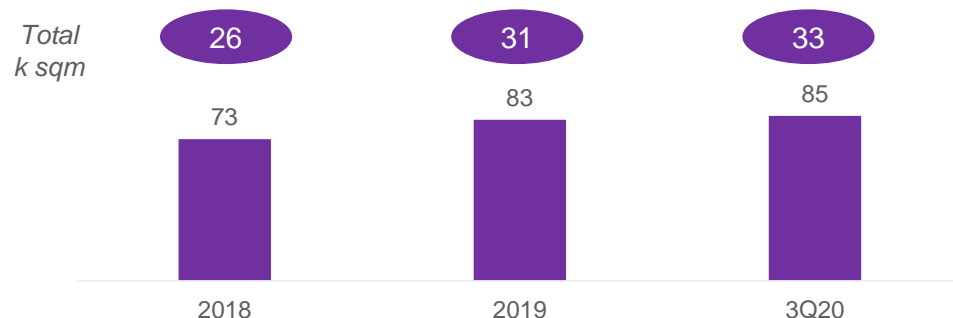
Be – Expansion into Pharma, Cosmetic and Toiletry



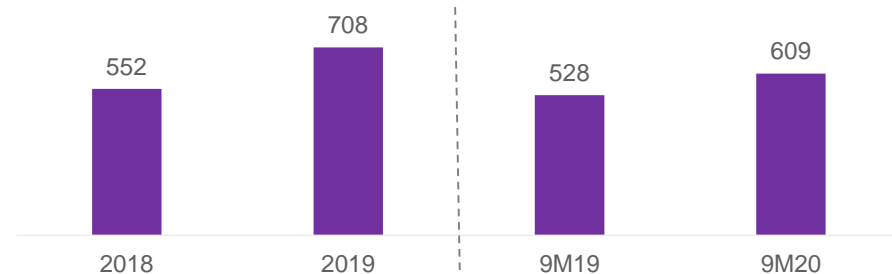
Be – Expansion into Pharma, Cosmetic and Toiletry (Cont'd)

Rapidly Growing Segment

Number of Stores



Sales (NISmn)



9M20 same store sales growth of 14.9%

Strategic Initiatives

- Online pharmacy – delivery through Shufersal website or pick up in stores
 - Dedicated shipping center for online Be products
- Niche positioning
 - Vitamins/perfumes with attractive value proposition
 - Medical cannabis
- Cross-buy on Shufersal shopping floors**
- Be private label



Real Estate



Shufersal Real Estate

Segment Overview

- Owns **90 income-producing assets**: mainly commercial and offices
- Consistently improving KPIs with **188k sqm** with **97% occupancy rate** as of 2019
- Properties are acquired, developed, renovated and leased out
- c.70% of GLA are Shufersal stores**, c. 30% are leased to third parties
- Segment income derived from rental fees and management fees
- GAV: **NIS 2.6bn** (fair value not impacted from COVID-19)
- Not including logistic assets

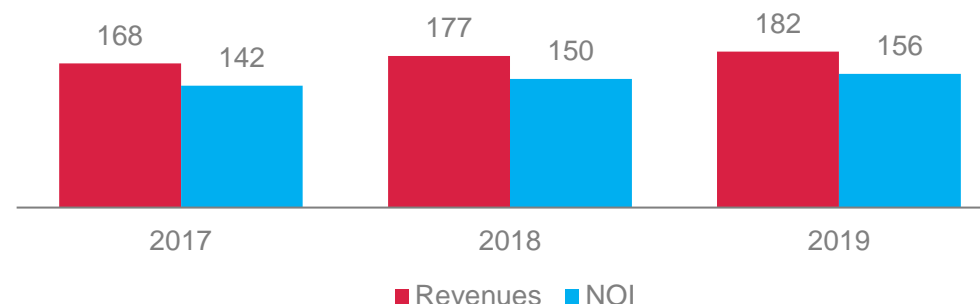
Select Tenants

- Over 150 tenants including some of the largest retailers, corporates and HMOs in Israel



Key Financials (NISmn)

Consistent revenue and profit stream



Financials



COVID-19 Update

Retail:

- Initial consumer **stockpiling** and sustained increased at-home consumption led to a strong surge in demand for **food** and **toiletries** products
- Compelling rise in online sales, reaching **20% of total sales** in Oct-20 (vs. 15% in 2019)
 - Converted some stores into shipping centers
- The contribution of COVID-19 to 9M20 revenue amounted to c. **NIS1bn**

Be:

- Robust increase in demand for Be products mainly answered through the online platform
- **Operationally break-even by 4Q20**

Real Estate:

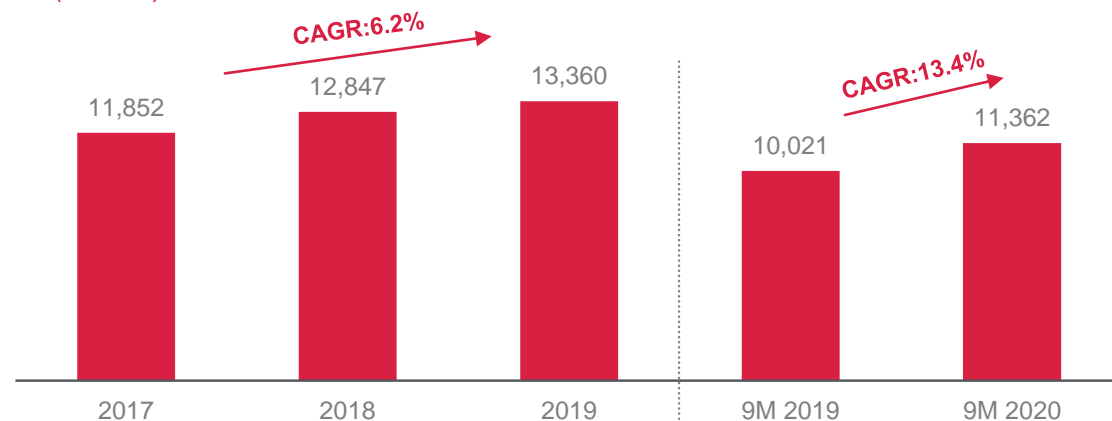
- The Group granted **immaterial rent breaks** to tenants during the months of March-April and October 2020
 - **No rent renegotiation** has been experienced
- **Fair value** of real estate was **not affected**

Human Resources:

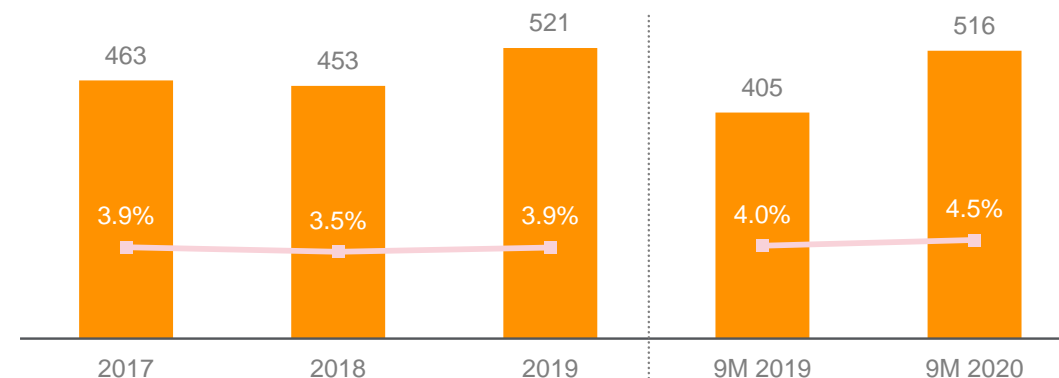
- Temporarily recruited workers to meet increasing demand, leading to a **NIS123mn increase in salary expenses** in 9M20

Robust Financial Performance

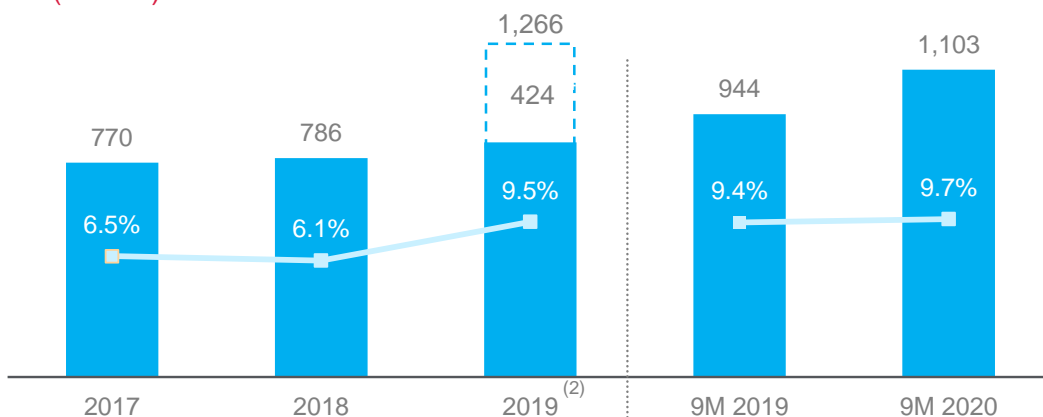
Revenue
(NISmn)



Operating Profit⁽¹⁾
(NISmn)

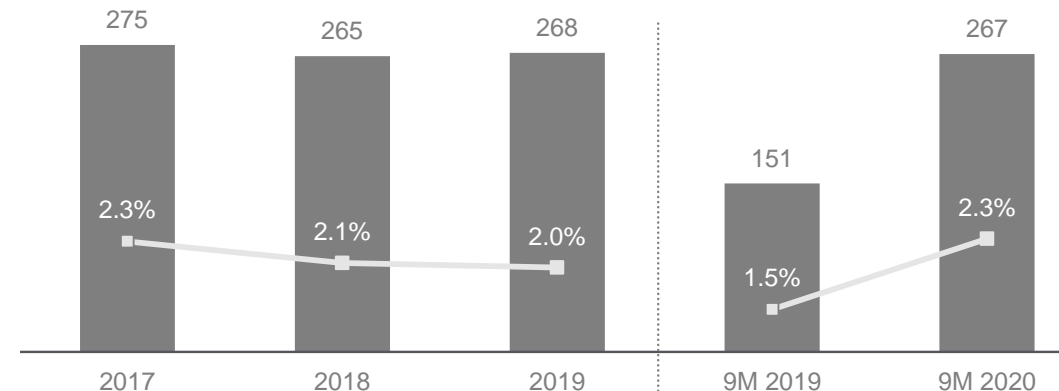


EBITDA
(NISmn)



Impact of IFRS 16

Net Income
(NISmn)

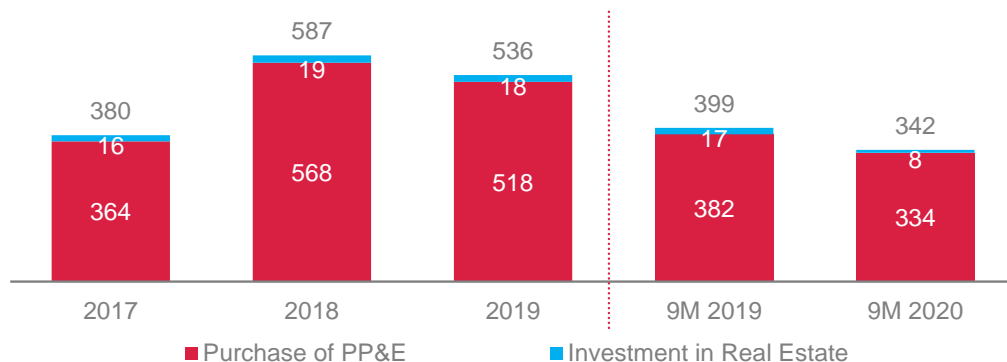


Consistently Improving Profitability Across Segments

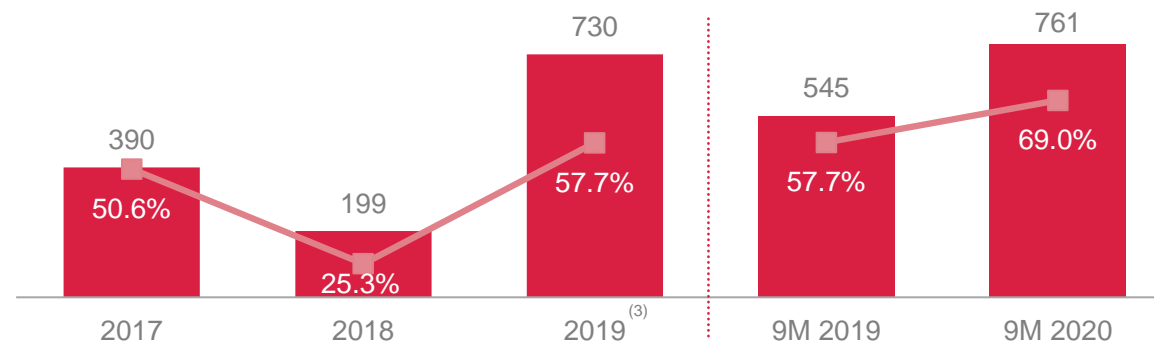


Cash Flow Evolution

Capex
(NISmn)



Free Cash Flow⁽¹⁾ and Cash Conversion⁽²⁾
(NISmn)



Commentary

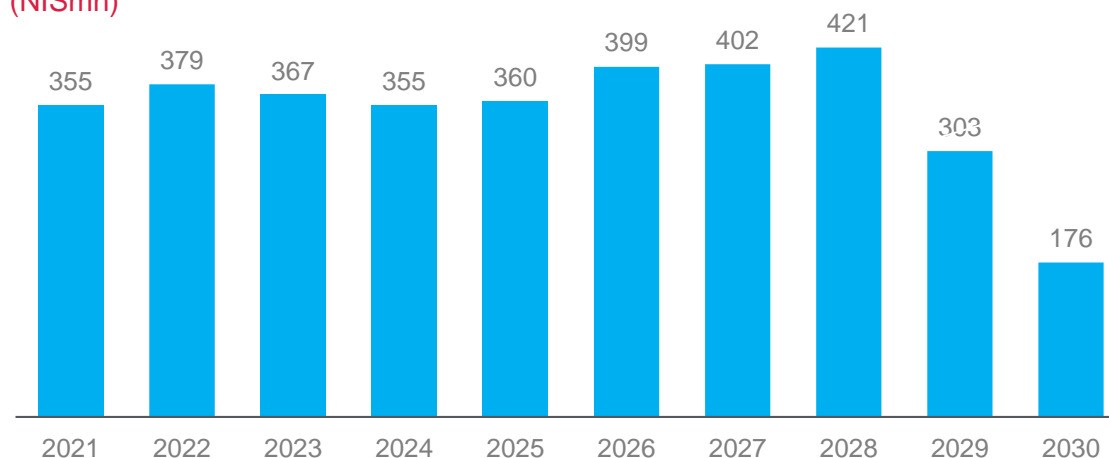
- Disciplined capex policy
- c. NIS650mn total investment in new automated logistic centers spread over 4 years from 2018
- 2018 investment in Be (e.g. stores, IT, rebranding) post acquisition in 2017
- Conservative capex in 2020 due to COVID-19 outbreak
 - Some renovation work put on hold

Exceptional Liquidity and Balanced Debt Profile

Cap Table

<i>(NIS in millions)</i>	Q3 2020
Non CPI Linked Bonds	2,005
CPI Linked Bonds	1,253
Total Debt	3,258
Cash & ST Investments	(1,114)
Net Debt	2,144
LTM Net Leverage exc. IFRS 16 Lease⁽¹⁾	2.2x
Lease Liability	3,874
LTM Net Leverage inc. IFRS 16 Lease	4.2x
Undrawn RCF	800
Total Liquidity	1,914

Future Bond Repayments (NISmn)

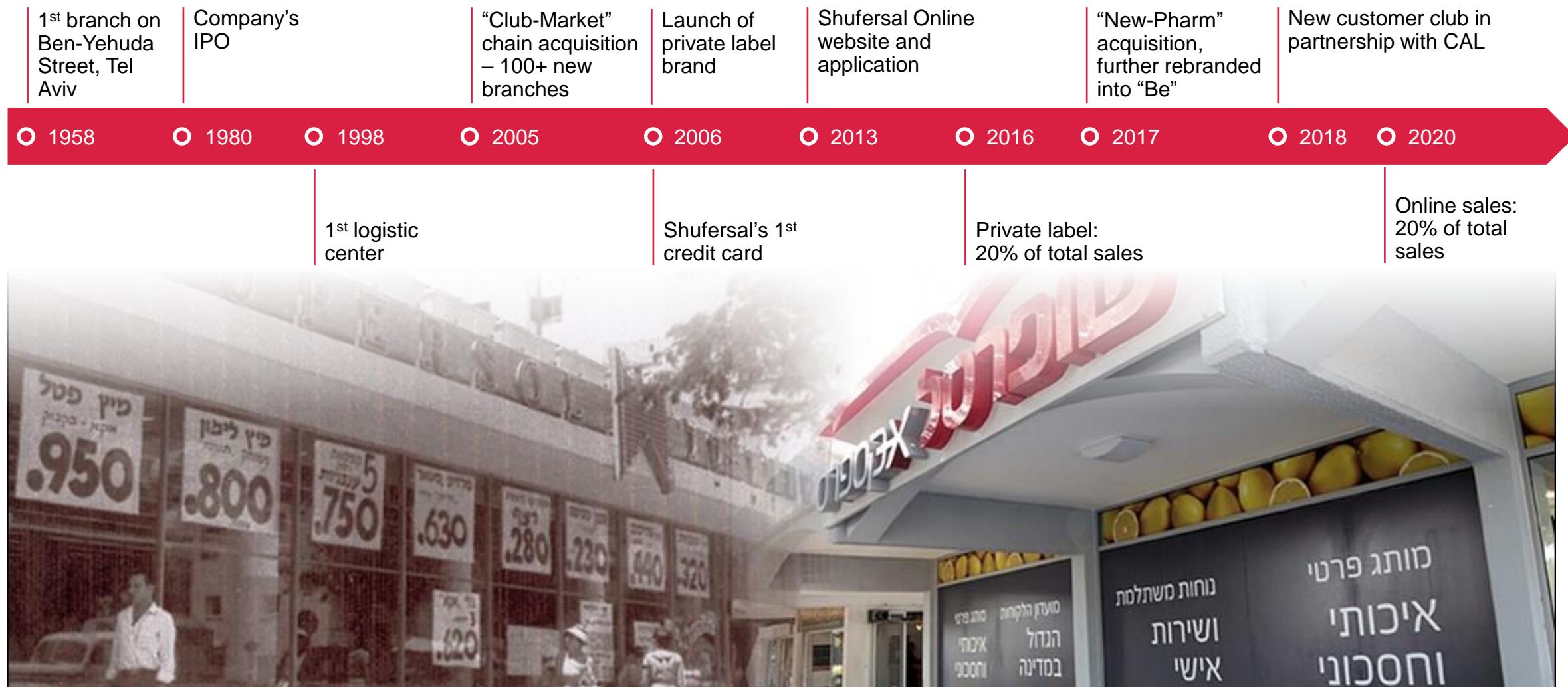


- Well staggered debt maturity profile
- iIAA- credit rating by S&P Maalot
- 100% unencumbered real estate assets

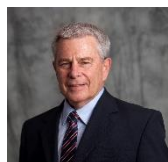
Appendix



Shufersal's History – Pioneering Israel's Retail



Experienced Leadership Team with Strong Vision and Values



Yacov Vadmani
Chairman



Itzik Abercohen
CEO



Tali Huber
CFO



Aaran Meiri
General Counsel



David Laron
VP Operations & Supply Chain



Zvi Baida
VP Customers & Service



Zvika Fishheimer
VP HR & IT



Sharon Gambasho
VP Properties & Development



Fairness



Quality



Service and professionalism



Commitment to Employees



Israeliness



Innovation

Consolidated Income Statement

<i>(NISmn)</i>	2017	2018	2019 ⁽¹⁾	9M 2019	9M 2020
Revenue	11,852	12,847	13,360	10,021	11,362
<i>growth (%)</i>	<i>0.1%</i>	<i>8.4%</i>	<i>4.0%</i>	<i>4.2%</i>	<i>13.4%</i>
Gross Profit	3,059	3,441	3,609	2,711	2,996
<i>margin (%)</i>	<i>25.8%</i>	<i>26.8%</i>	<i>27.0%</i>	<i>27.1%</i>	<i>26.4%</i>
Operating expenses	(2,596)	(2,988)	(3,088)	(2,306)	(2,480)
Operating Profit	463	453	521	405	516
<i>margin (%)</i>	<i>3.9%</i>	<i>3.5%</i>	<i>3.9%</i>	<i>4.0%</i>	<i>4.5%</i>
Other Income (Expenses), Net	16	16	36	(1)	13
Financing expenses, net	(124)	(116)	(259)	(202)	(170)
Net Income	275	265	268	151	267
<i>margin (%)</i>	<i>2.3%</i>	<i>2.1%</i>	<i>2.0%</i>	<i>1.5%</i>	<i>2.3%</i>
EBITDA	770	786	1,266	944	1,103
<i>margin (%)</i>	<i>6.5%</i>	<i>6.1%</i>	<i>9.5%</i>	<i>9.4%</i>	<i>9.7%</i>