

Company Presentation

March 2021



SHUFERSAL

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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



Three main segments:

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



Wide range of retails formats

catering to all segments of the population, with nationwide footprint



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

Developing marketplace offering



100% free float

Stable and experienced management team



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Shufersal – Major Anchors



Retail



Customer
Base



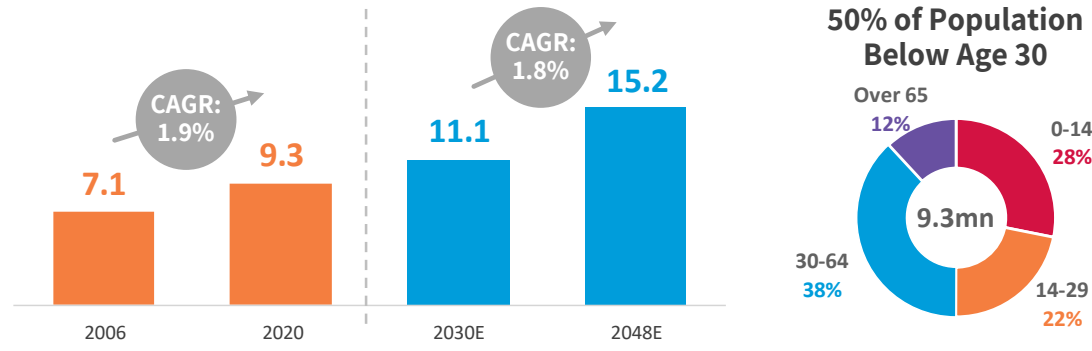
Financial
Stability



Organizational &
Human Capital

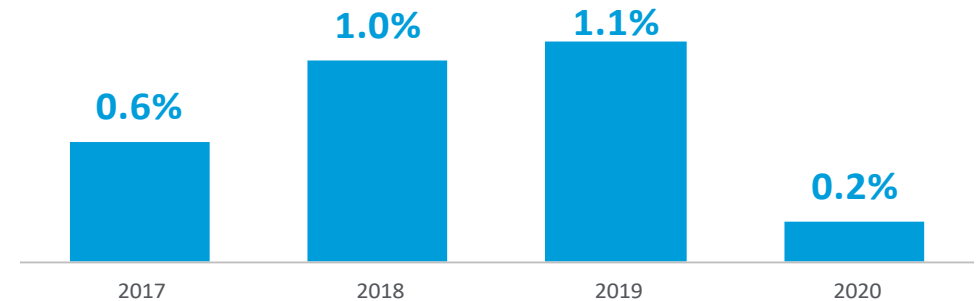
Favorable Macro-Economic Environment

Young and Growing Population⁽¹⁾ (mn)



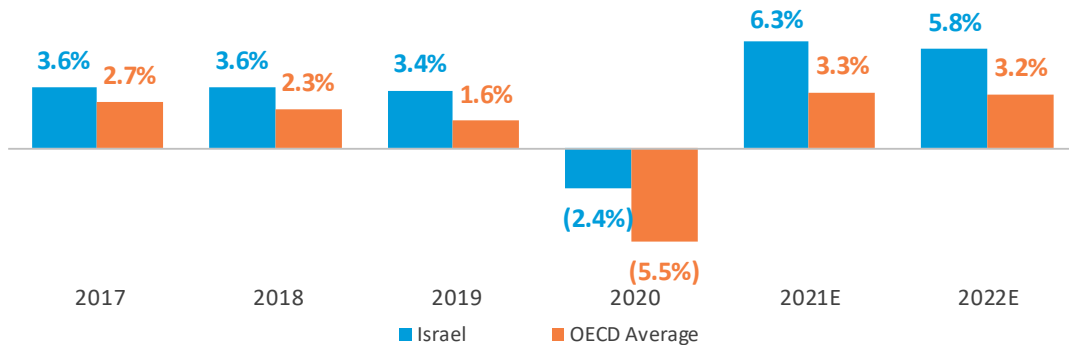
Stable Macro Environment with Controlled Inflation

Storenext Food Retail Market Index⁽²⁾



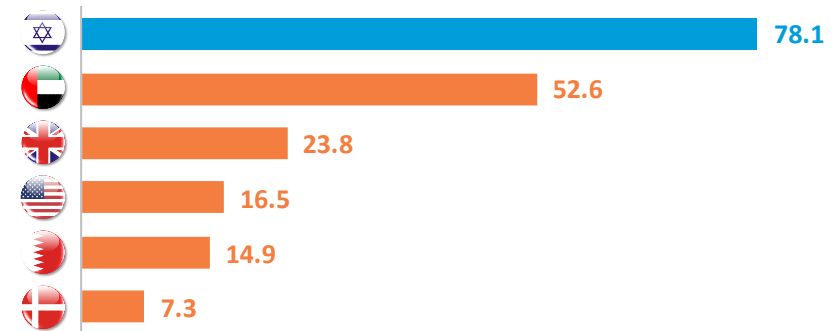
Robust Economic Growth

(change in real GDP, % per annum)⁽³⁾



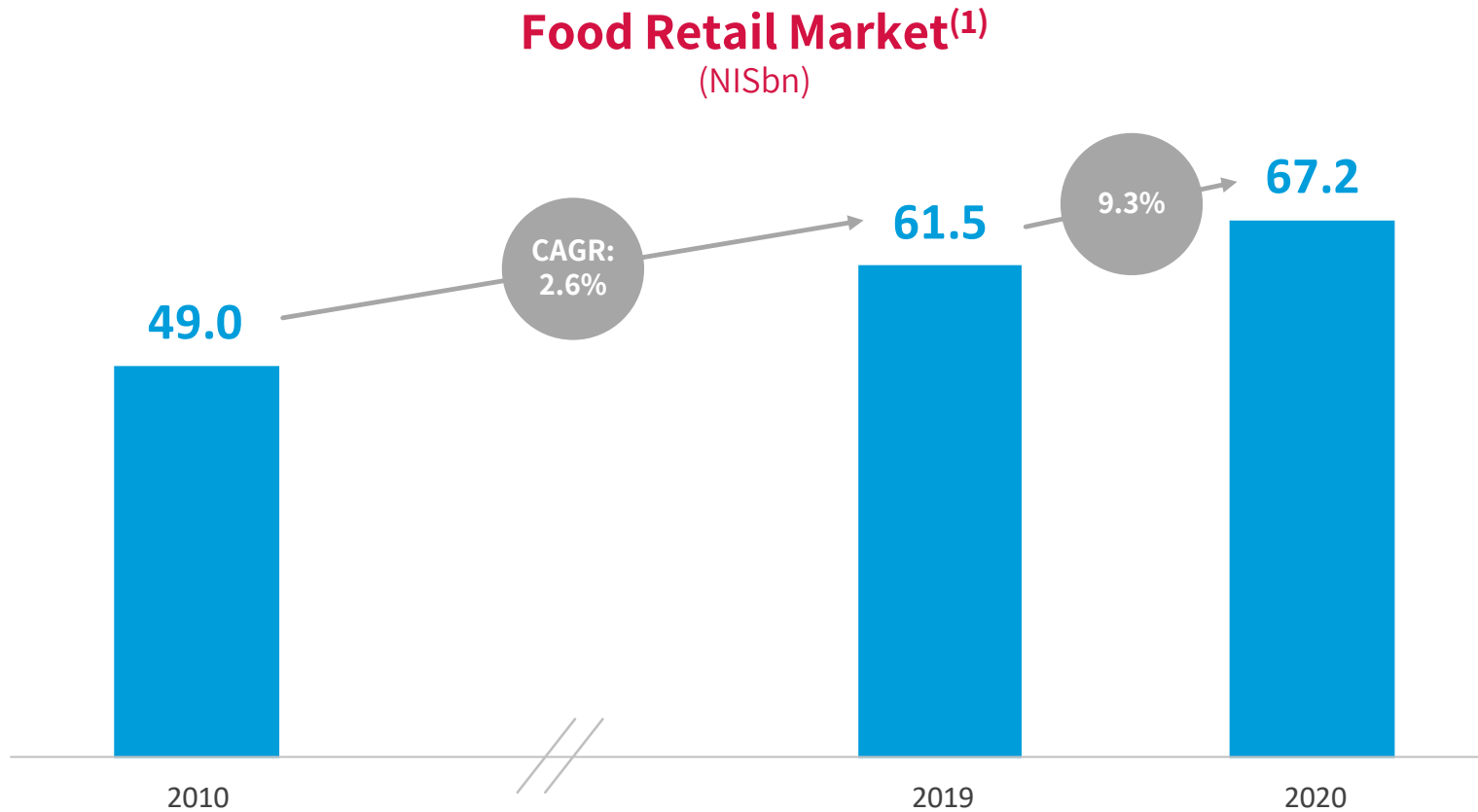
Leading the Way in Vaccine Rollout

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

Israel Food Retail Sector Overview



Growth Strategy



Shufersal 2020 – Key Metrics



NIS 15.2bn
Revenue



9.9%
EBITDA Margin



13.4%
YoY Increase
in Same Store Sales



c.20%
Food Retail Market Share⁽¹⁾



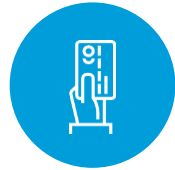
19.9%
Online Share⁽²⁾



25.8%
Private Label Share⁽²⁾



301 Shufersal Stores
86 Be Stores



641k
Cardholders



NIS 2.6B
Property Owned Value



c.16,700
Employees



NIS 6.4bn⁽³⁾
Market Cap.,
Member of TASE-35



iLAA-
S&P Maalot Rating

Shufersal has shown tremendous growth and profitability in 2020

YoY growth



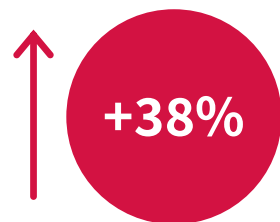
Revenue

Growth of
NIS **1,873** million



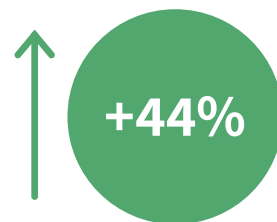
EBITDA

Growth of
NIS **248** million



Op. profit

Growth of
NIS **197** million



Net profit

Growth of
NIS **119** million⁽¹⁾












RETAIL



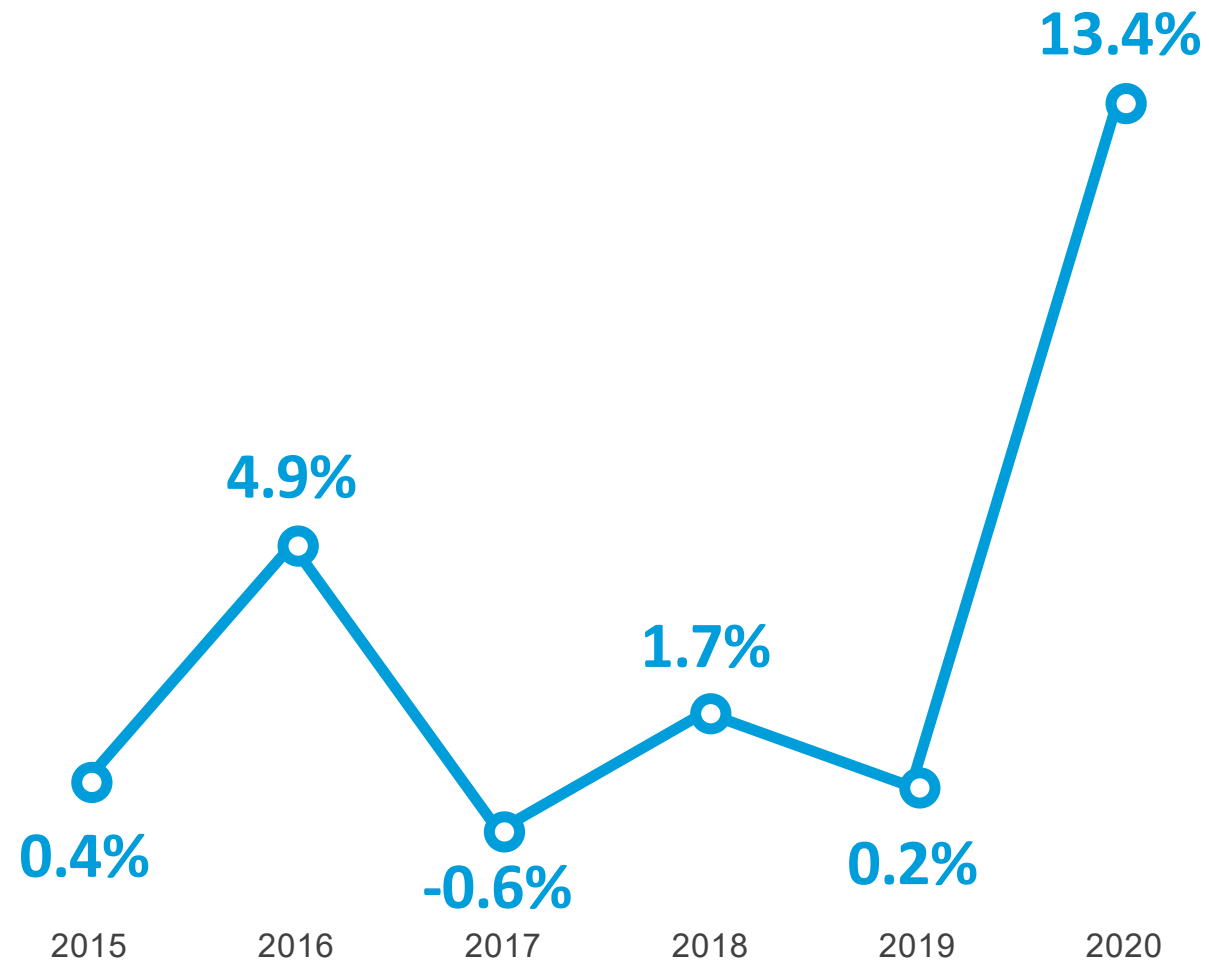
Food Retail – Overview



- Shufersal brings a value proposition of quality, variety and foothold
- Each retail format is designed to provide a customized answer to the population segments it is targeting

			K sq.m. commercial space	Sales per sq.m. (NIS K)	Gross profit	Operating profit	Share of company revenue in retail	
<div>  <p>Discount</p> </div>	<div>     </div>	<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 	2020	400	28.1	23%	2.4%	81%
			2019	409	24.8	24%	1.8%	80%
<div>  <p>Urban & Proximity</p> </div>	<div>    </div>	<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 	2020	103	27.1	33%	5.3%	19%
			2019	102	24.7	33%	4%	20%

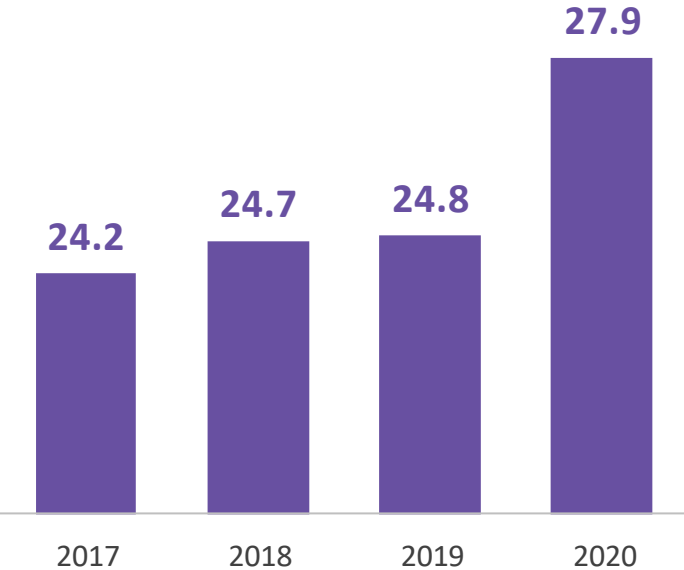
Same store sales – Retail



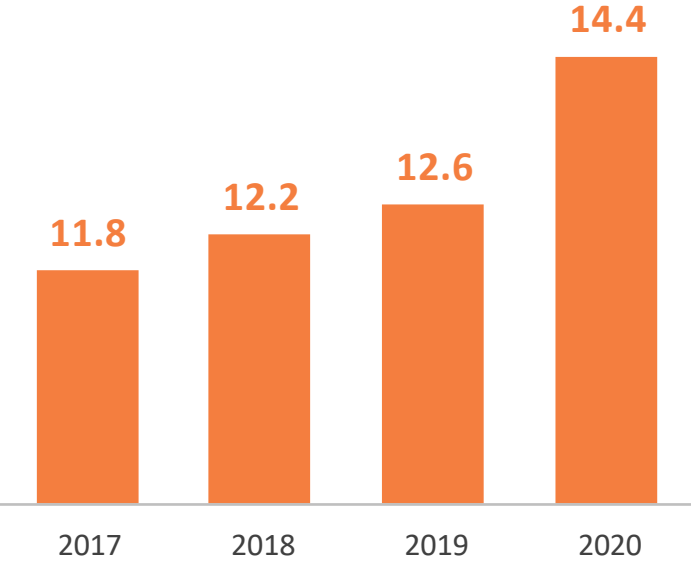
Strong and Steady Performance Across All Retail KPIs



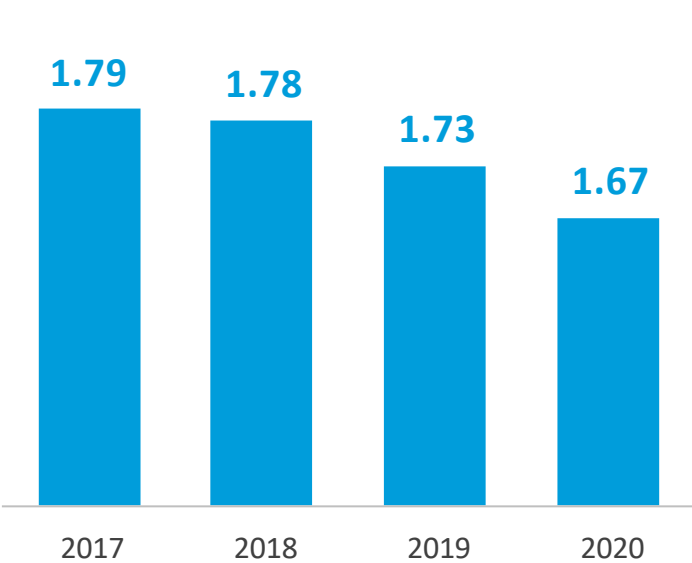
Sales per sqm⁽¹⁾⁽²⁾
(K NIS)



Total Retail Revenues
(NISbn)



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



13 (1) Including online sales, excluding Online Be and “Rural region”.
(2) Shufersal stores, excluding shipping centers.

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

Shufersal Online Overview

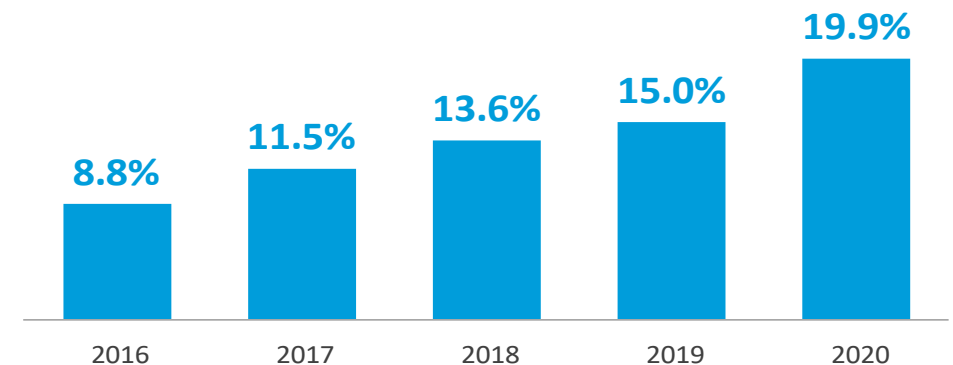
- **Pioneered** retail shift to online in Israel with 1st version of Shufersal Online website and application **in 2013**
 - Comprehensive website overhaul in 2019
- **1st mover advantage** allows to maintain clear leadership
- **Nationwide footprint**, backed by robust logistic infrastructure **covering 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...

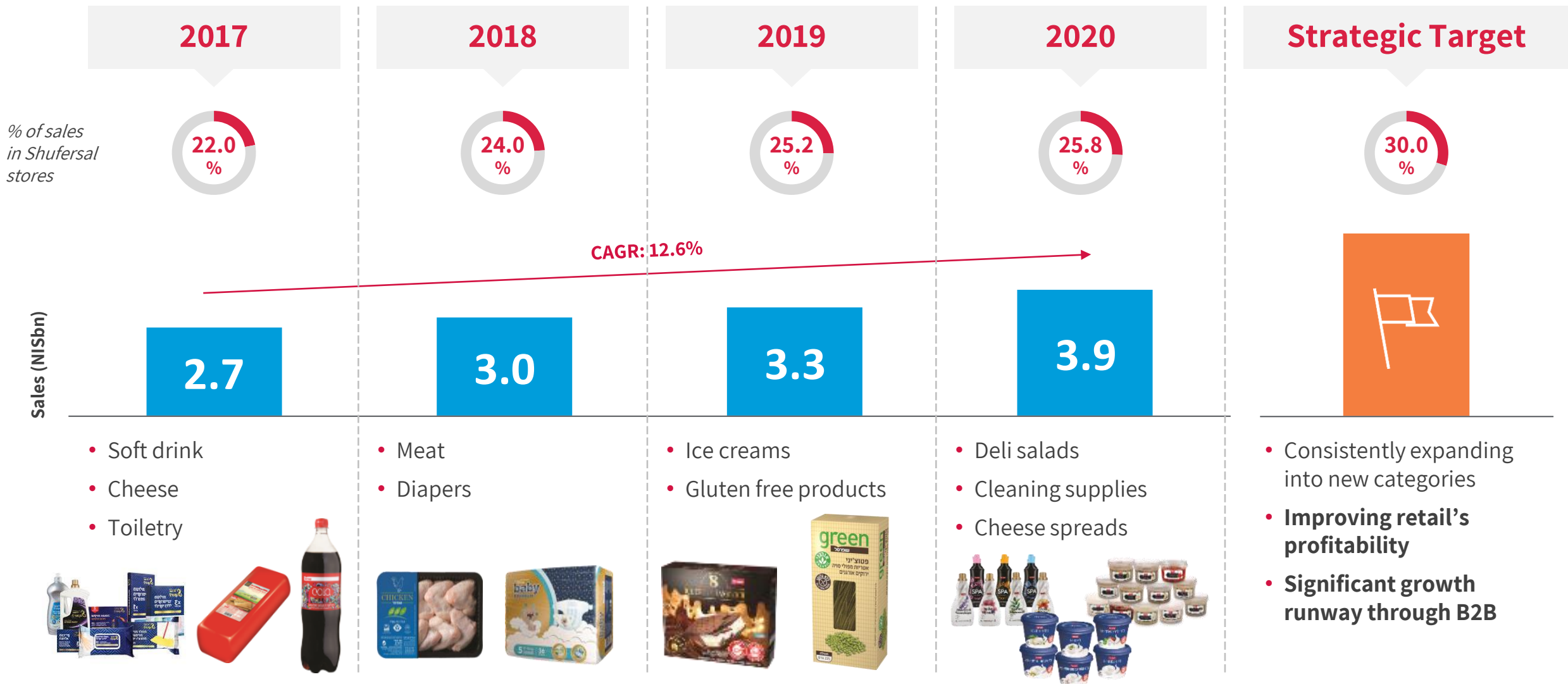


...with Rapidly Increasing Online Sales

Online Sales as % of Sales in Shufersal Stores



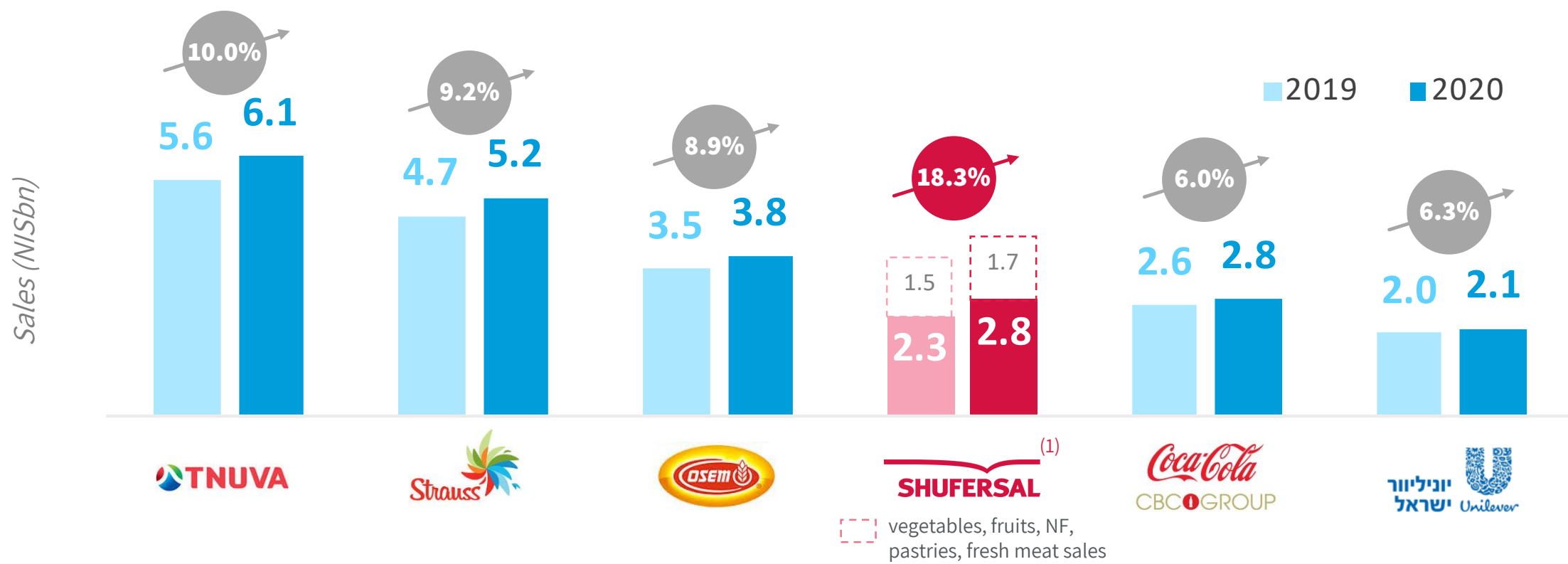
Consistent Expansion of Private Label



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

- FMCG Market grew by 9.3% YoY
- Shufersal Private Label FMCG grew by 18.3% YoY
- Total Shufersal Private Label grew by 16.9% YoY

It should be noted that this slide corrects the corresponding slide included in the Company's presentation published on January 18 2021 (Ref. No.: 2021-01-007216). The slide published in January included the Company's data excluding VAT (whereas the data in respect of the other suppliers included VAT). The slide also included, in respect of the Company, fresh food sales; however, FMCG does not include fresh food sales. In the current slide, the Company's data included VAT, and the Company's FMCG sales and fresh food sales were presented separately. The data presented regarding the other suppliers include FMCG sales only.



Source: Storenext, public company filings
 Note: FMCG sales exclude vegetables and fruits, NF, pastries, fresh meat and cigarettes. Including VAT.
 (1) Shufersal Private Label sales. Including VAT.

Shufersal B2B

Tapping into Fragmented Wholesale Market

Cash & Carry

- **Opened 1st store in 2018**, targeting urban mini-markets, kiosks and food service customer. Over 10K points of sale.
- **Attractive value proposition to merchants:** one stop shop solution with attractive prices.
- **Currently 2 stores**, with the 3rd store in construction; **online site** launched in mid 2019.

“Rural & Urban Region”

- **Providing solutions for groceries** in rural communities, “kibbutzim” and urban groceries.
- **Serving about 550 points** of sale nationwide.

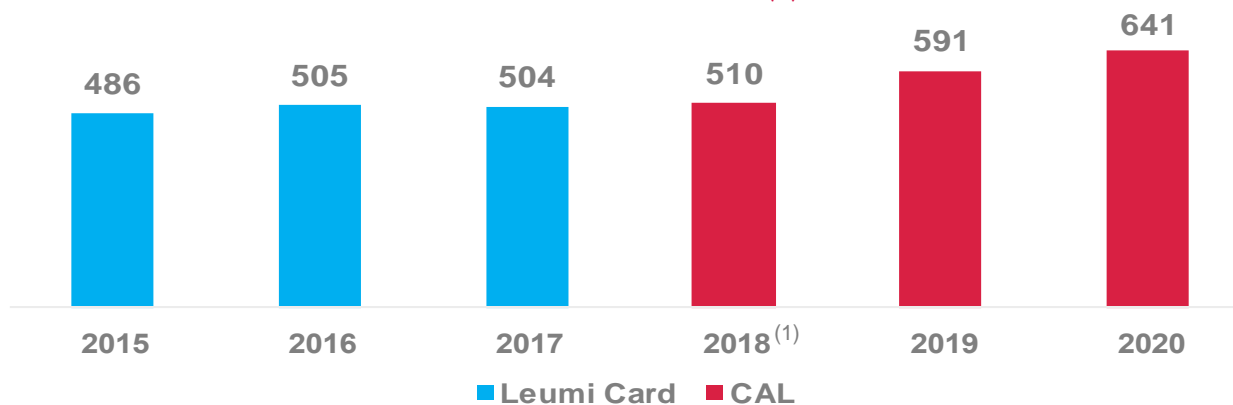
Cash & Carry and “Rural & Urban Region” represent a **compelling growth opportunity**, targeting an overall **market of NIS11.5bn** composed of mini-markets, groceries and food service, growing at 5+% historically⁽¹⁾

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, SMS and the application
- Most loyal customers convert into the credit card retailer club, which is **Israel's leading credit card club**
- Cards issued by leading credit card company CAL, leveraging Shufersal distribution network

Evolution of Active Cards Over Time (k)



Growth Levers

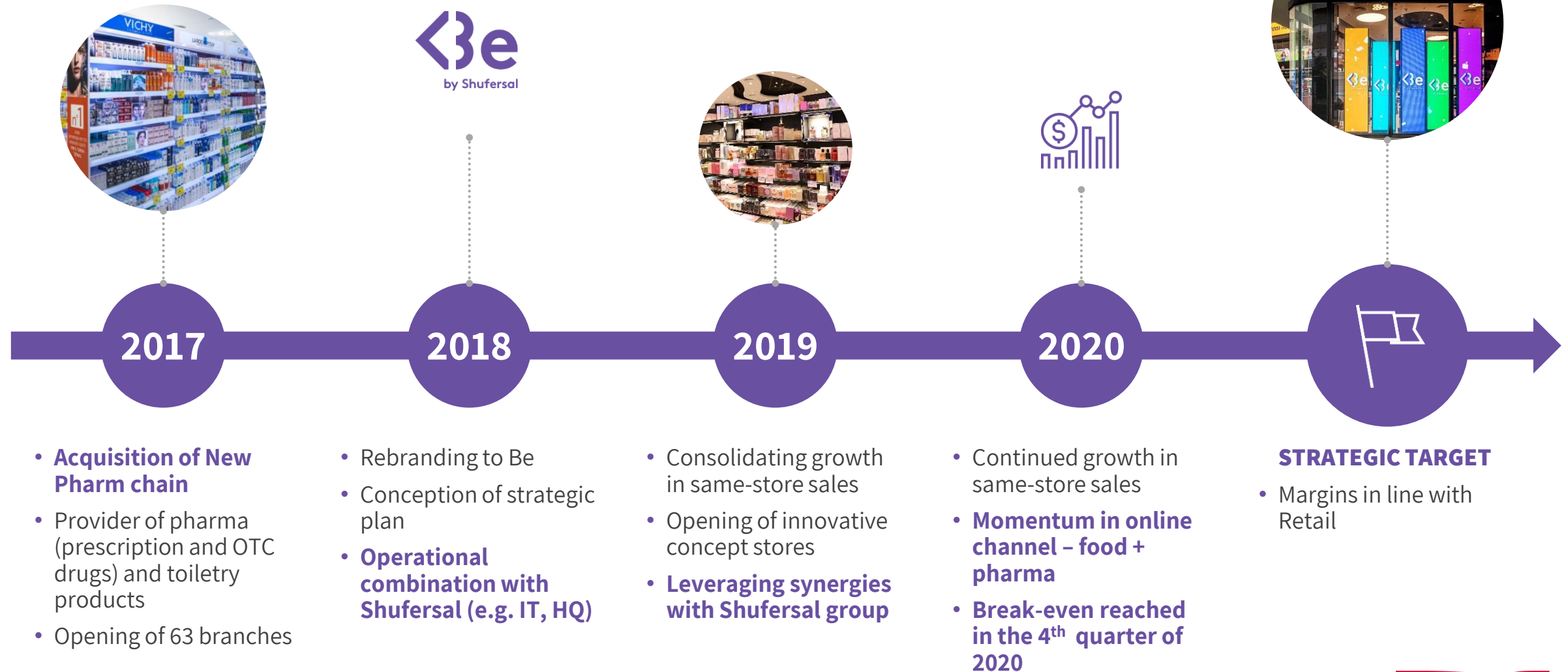
- Leverage Shufersal's retail footprint in order to recruit new members
- Provide attractive **non-bank credit offering**
- Continue to recruit "Be" customers through retail club
- Boost private label through consistent discounts
- **In January 2021**, Israel Discount Bank and Shufersal entered into a **first-of-its-kind strategic collaboration**
 - The joint venture will operate using the PayBox platform, **offering an advanced digital wallet**, including a "financial supermarket" offering innovative banking products and services

Be



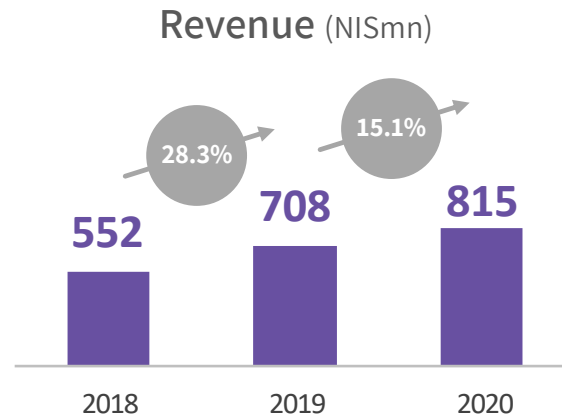
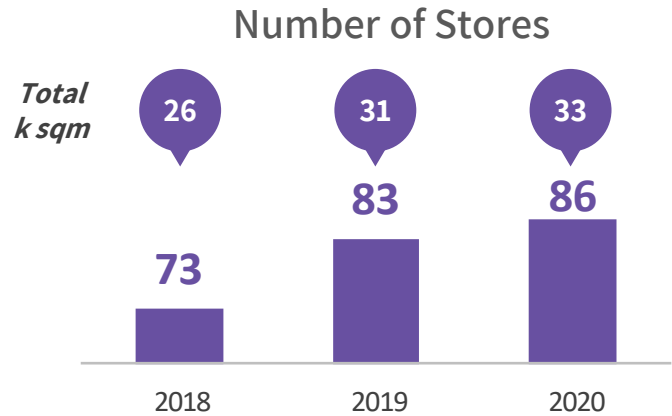


Be – Expansion into Pharma, Cosmetic and Toiletry

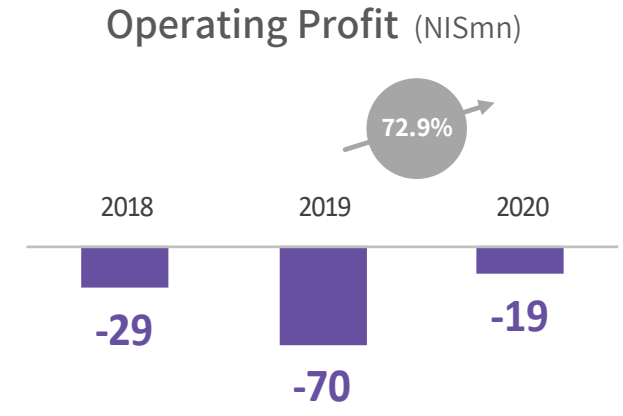


Be – Expansion into Pharma, Cosmetic and Toiletry (Cont'd)

Rapidly Growing Segment



2020 same store sales growth of 13.8%



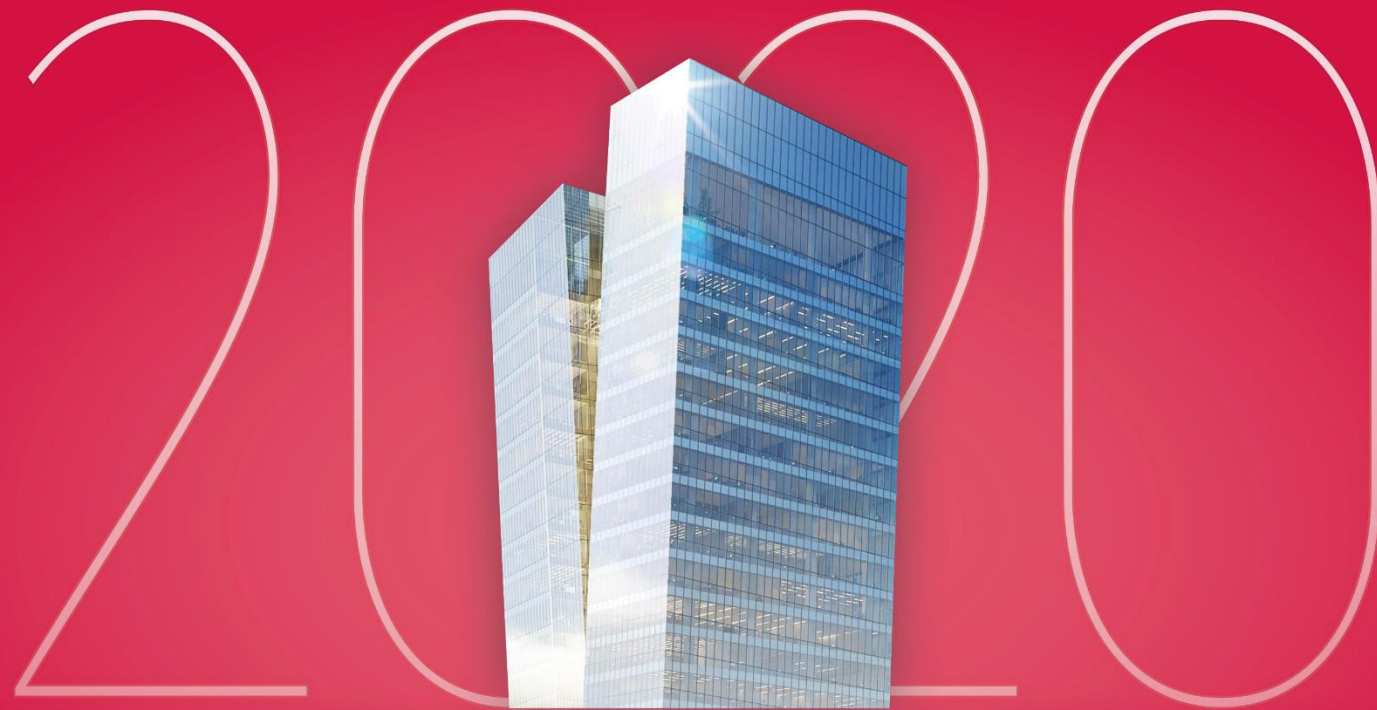
Operational balance in the fourth quarter of 2020

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 **94 income-producing assets**: mainly commercial and offices

- Consistently improving KPIs with **197K sqm** with **97% occupancy rate** as of 2020

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)

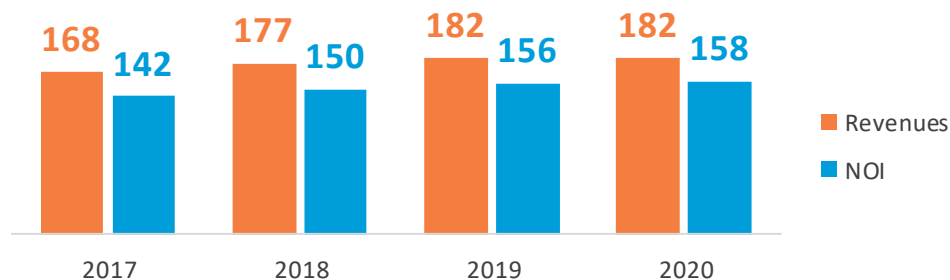
- Not including logistic assets

Select Tenants

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

Key Financials (NISmn)

Consistent revenue and profit stream

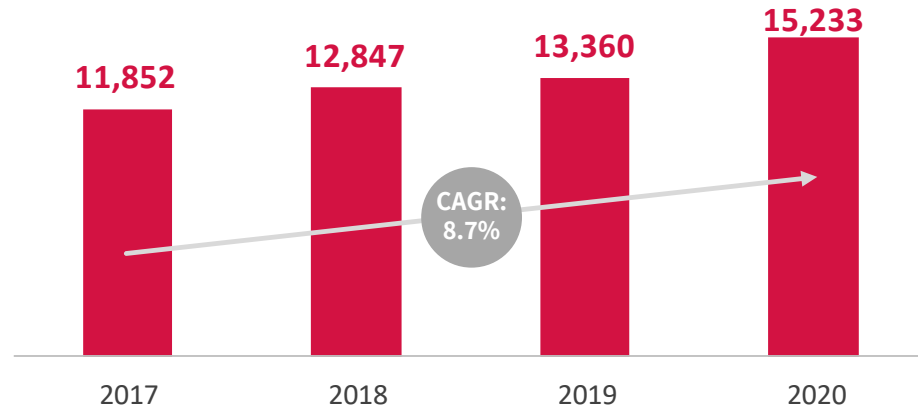


FINANCIALS

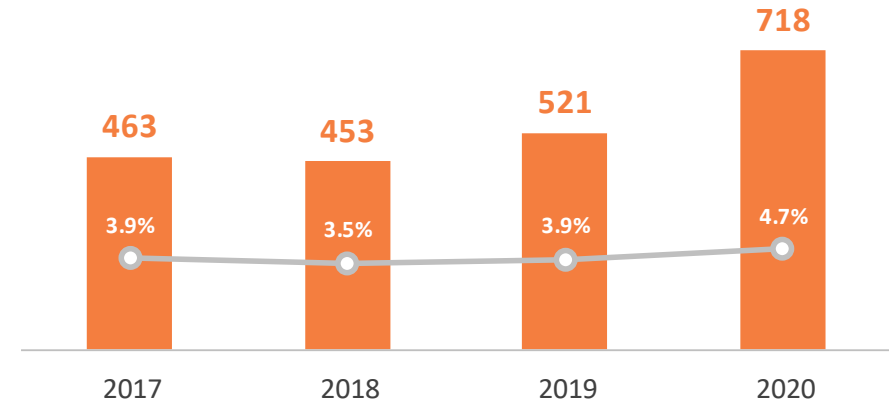


Robust Financial Performance

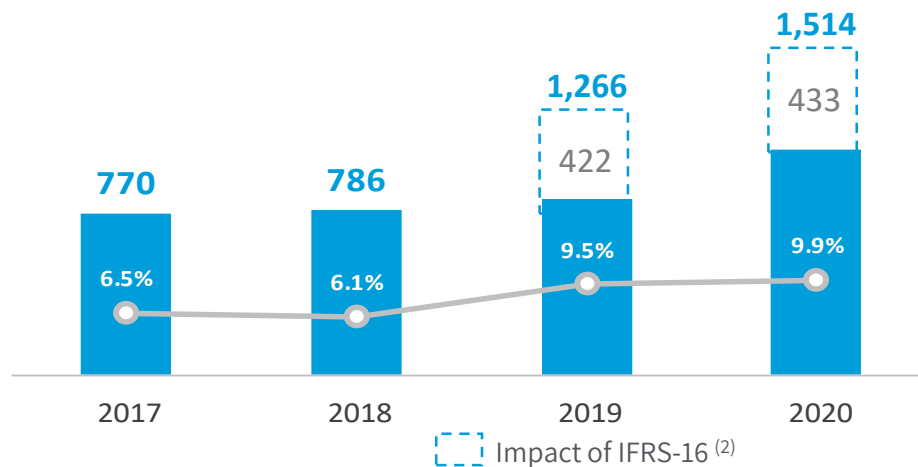
Revenue (NISmn)



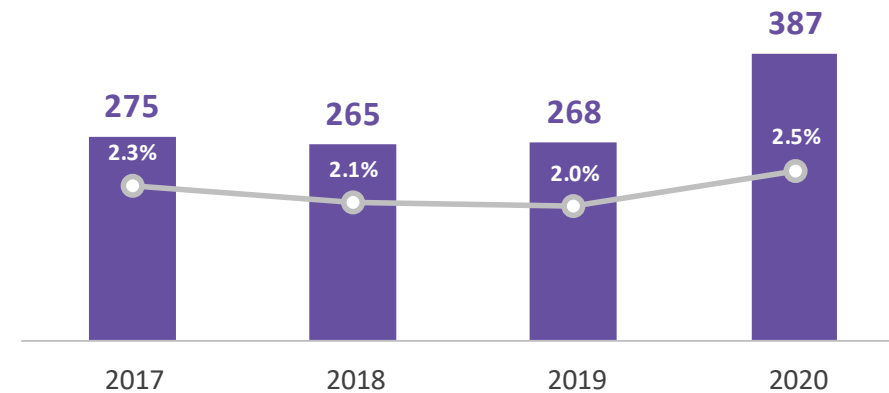
Operating Profit⁽¹⁾ (NISmn)



EBITDA (NISmn)



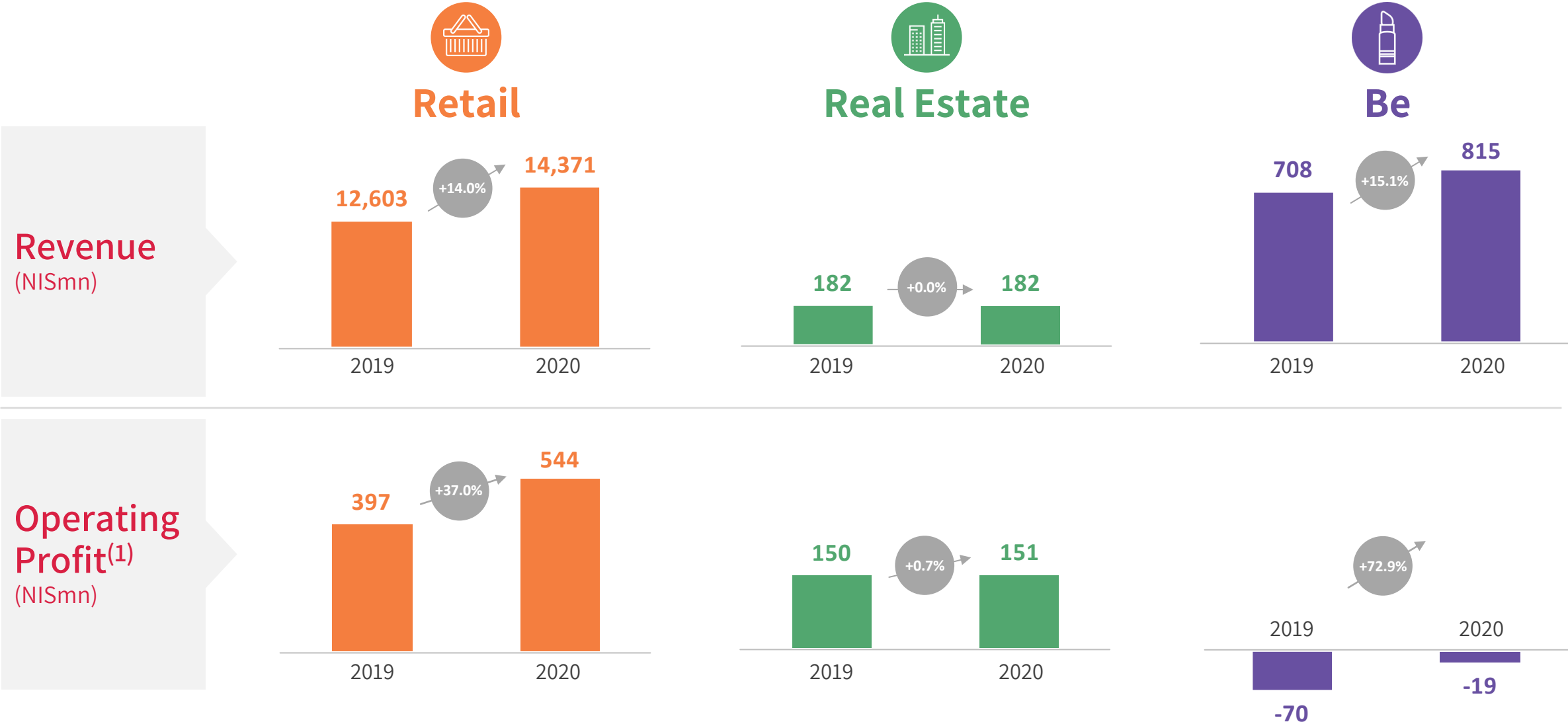
Net Income (NISmn)



(1) Before other income & expenses.

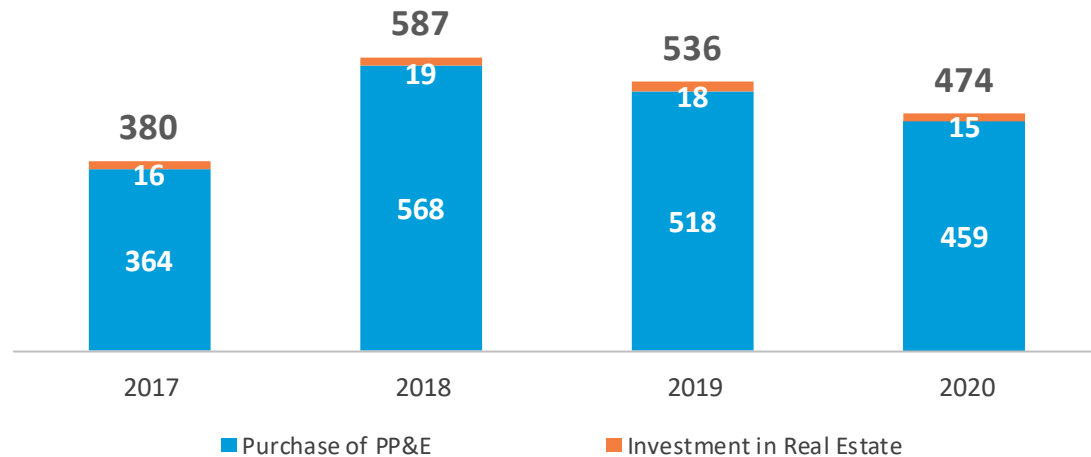
(2) Adoption of IFRS-16 at the beginning of 2019 has had a positive impact on EBITDA in the amount of NIS422mn in 2019 and an impact of NIS433mn in 2020.

Consistently Improving Profitability Across Segments

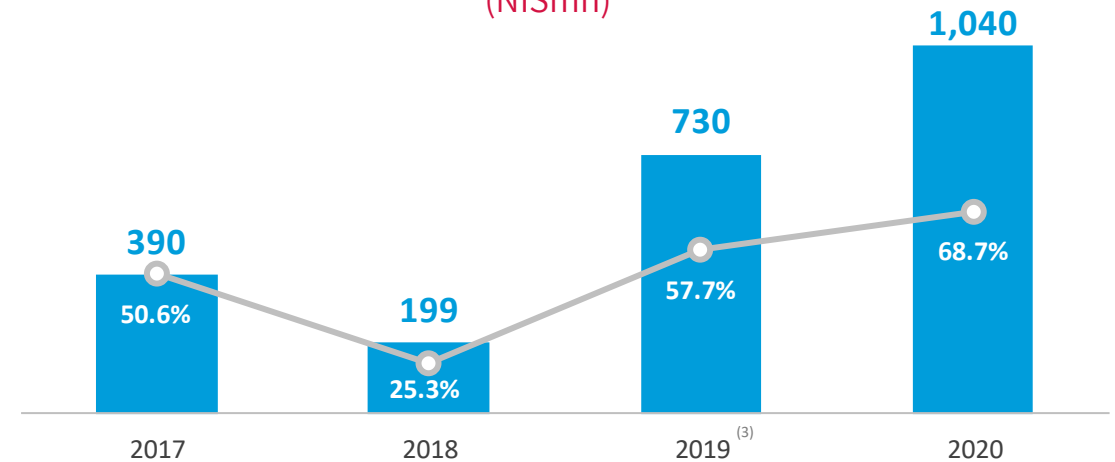


Cash Flow Evolution

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

(1) EBITDA – Capex.

(2) (EBITDA – Capex) / EBITDA.

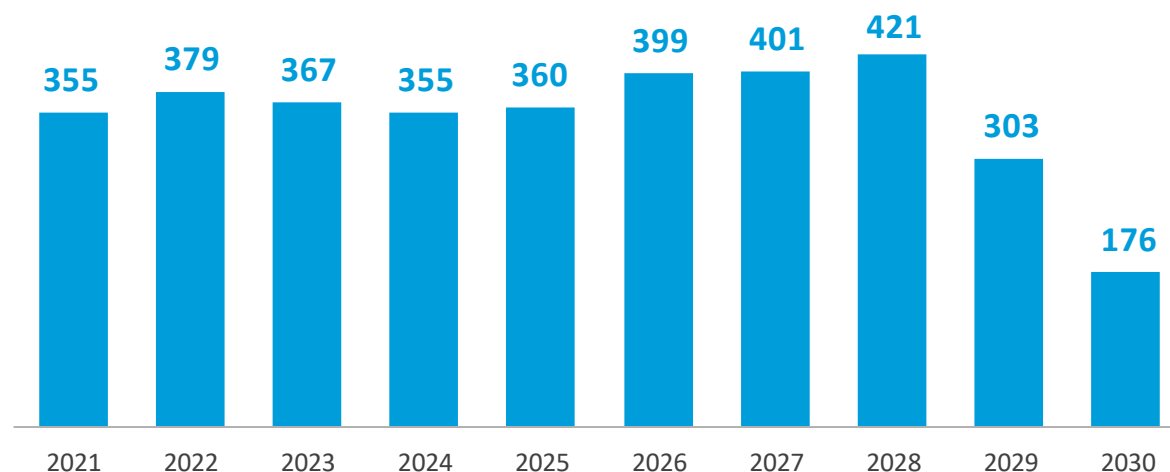
(3) Adoption of IFRS-16 at the beginning of 2019 has had a positive impact on EBITDA in the amount of NIS422mn in 2019.

Exceptional Liquidity and Balanced Debt Profile

Cap Table

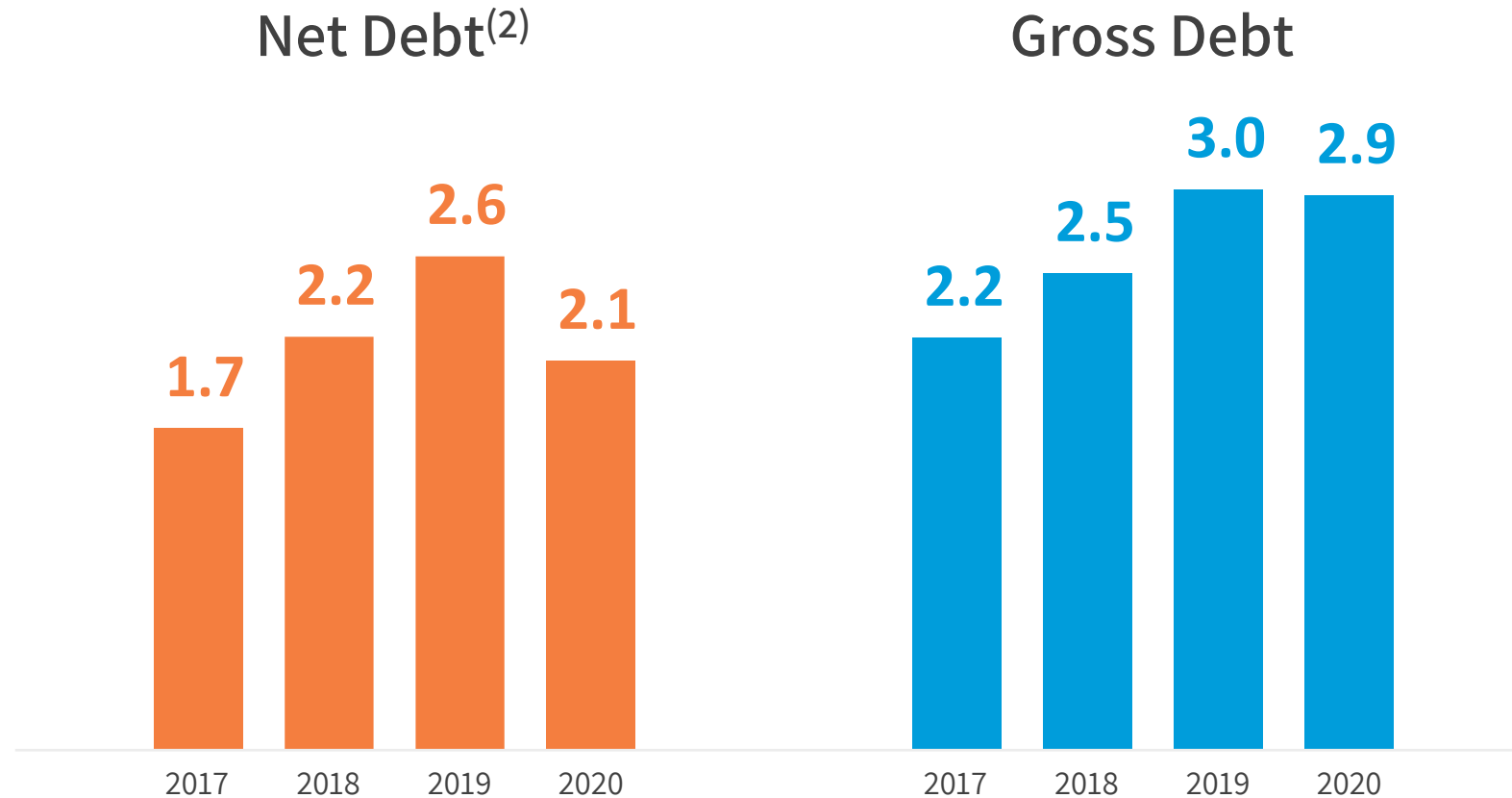
<i>(NIS in millions)</i>	31.12.20
Non CPI Linked Bonds	1,865
CPI Linked Bonds	1,084
Total Debt	2,949
Cash & ST Investments	(880)
Net Debt	2,069
LTM Net Leverage exc. IFRS-16 Lease⁽¹⁾	1.9x
Lease Liability	3,904
LTM Net Leverage inc. IFRS-16 Lease	3.9x
Undrawn RCF	800
Total Liquidity	1,680

Future Bond Repayments⁽²⁾ (NISmn)



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

Debt Levels⁽¹⁾ that support the company's strategy (NISbn)

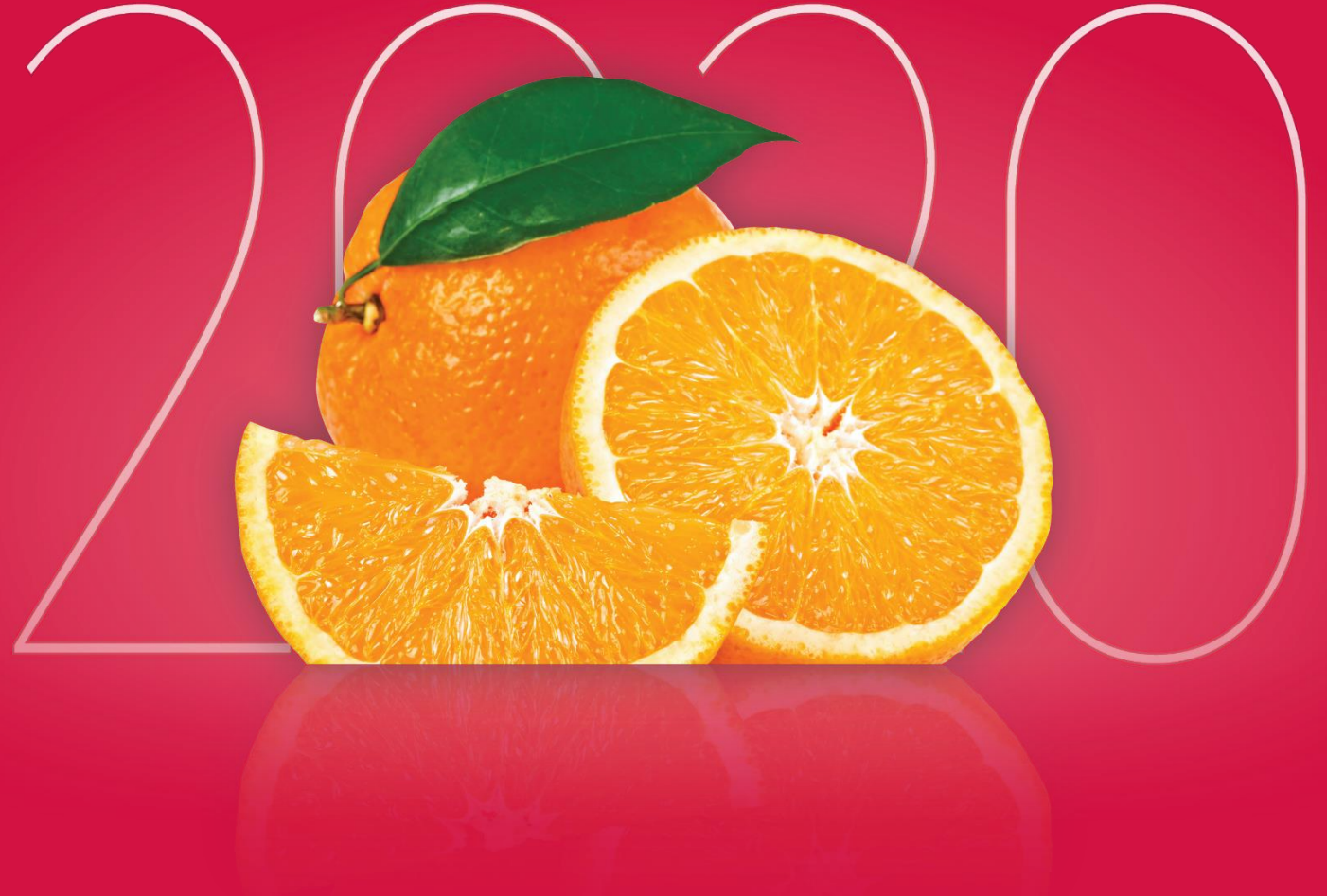


Note: excluding IFRS-16 liability

(1) Liabilities to banking corporations, debentures, including interest payable

(2) Excluding cash and cash equivalents, short term deposits and marketable securities.

Appendix



Consolidated Income Statement

<i>(NISmn)</i>	2017	2018	2019 ⁽¹⁾	2020
Revenues	11,852	12,847	13,360	15,233
<i>growth (%)</i>	<i>0.1%</i>	<i>8.4%</i>	<i>4.0%</i>	<i>14.0%</i>
Gross Profit	3,059	3,441	3,609	4,043
<i>margin (%)</i>	<i>25.8%</i>	<i>26.8%</i>	<i>27.0%</i>	<i>26.5%</i>
Operating expenses	(2,596)	(2,988)	(3,088)	(3,325)
Operating Profit	463	453	521	718
<i>margin (%)</i>	<i>3.9%</i>	<i>3.5%</i>	<i>3.9%</i>	<i>4.7%</i>
Other Income (Expenses), Net	16	16	36	27
Financing expenses, net	(124)	(116)	(259)	(232)
Net Income	275	265	268	387
<i>margin (%)</i>	<i>2.3%</i>	<i>2.1%</i>	<i>2.0%</i>	<i>2.5%</i>
EBITDA	770	786	1,266	1,514
<i>margin (%)</i>	<i>6.5%</i>	<i>6.1%</i>	<i>9.5%</i>	<i>9.9%</i>

Balance sheet (assets)

(NISmn)	31.12.2019	31.12.2020
Cash and cash equivalents, Short-term deposits	355	880
Trade receivables	1,373	1,494
Other receivables & Other investments	169	149
Inventory	910	939
Total Current Assets	2,807	3,462
Investments in associate	94	89
Other investments	96	87
Property, plant and equipment	3,101	3,186
Intangible assets and deferred expenses, Receivables and debit balances & Deferred taxes	1,535	1,557
Investment property	721	792
Right-of-use assets	3,596	3,852
Total Assets	11,950	13,025



Balance sheet (liabilities and equity)

(NISmn)	31.12.2019	31.12.2020
<u>Current liabilities</u>		
Current maturities in respect of bonds & Credit from banks	360	267
Current maturities of lease liabilities	342	360
Trade payables	2,055	2,333
Other payables and Provisions	875	1,148
Liability in respect of option to acquire partnership	73	-
Total Current liabilities	3,705	4,108
<u>Non - current liabilities</u>		
Bonds	2,621	2,682
Lease liabilities	3,278	3,544
Employee benefits, net & Other liabilities	300	320
Deferred taxes	132	136
Total non-current liabilities	6,331	6,682
Equity	1,914	2,235
Total liabilities and equity	11,950	13,025



THANK YOU

