

Company Presentation Q1 2021

May 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⁽¹⁾:

- **Retail** c-94% of sales
 - Retail stores
 - Online
 - Private label
 - Finance
 - B2B
- **Be** (Pharma) c-6% of sales
- **Real Estate** (commercial properties incl. Shufersal stores) c-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

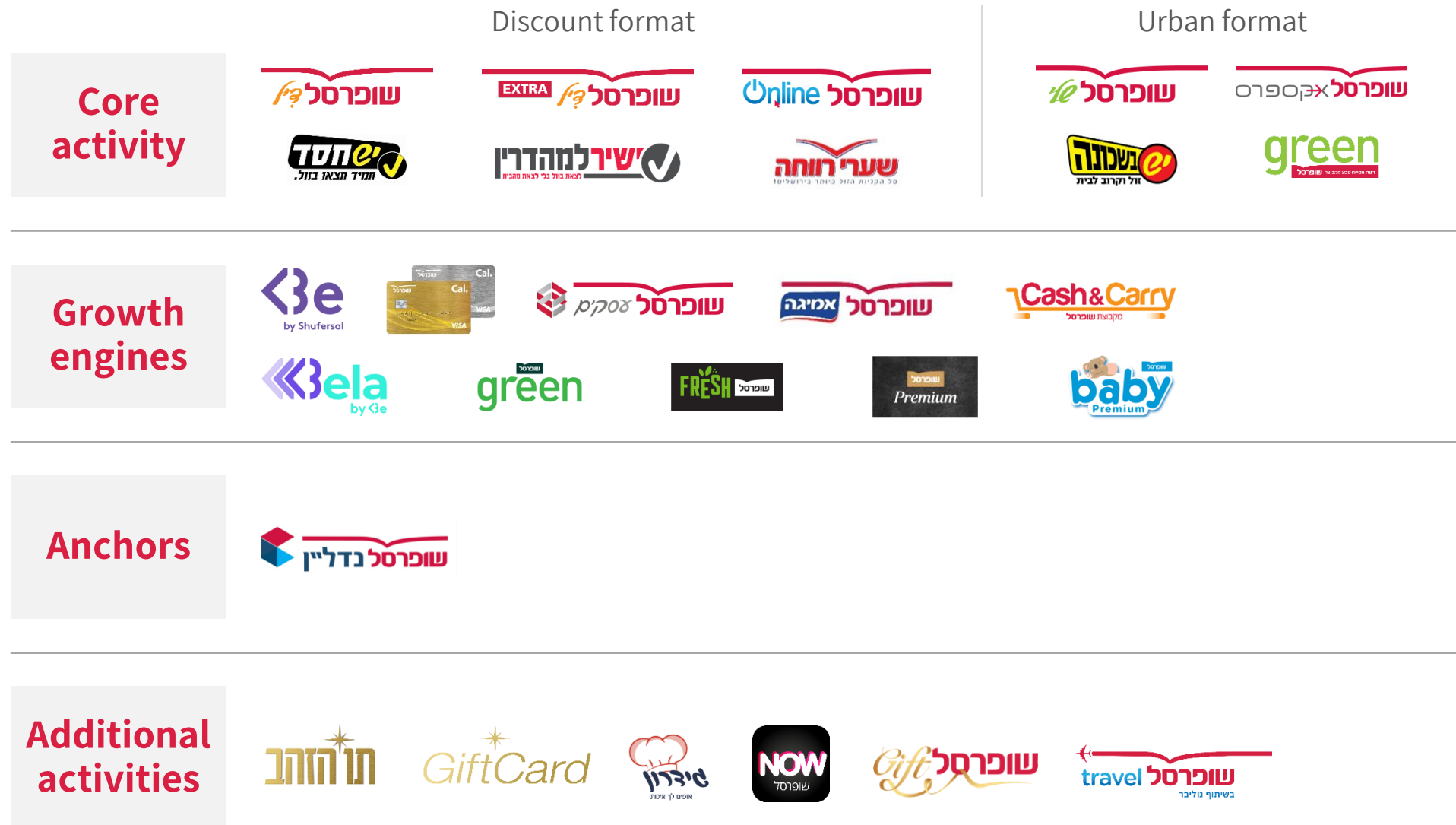


Financial
Stability



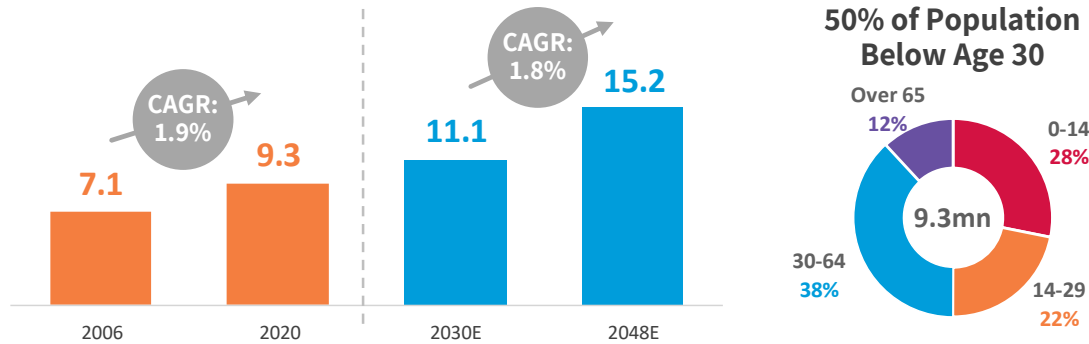
Organizational &
Human Capital

Shufersal Group



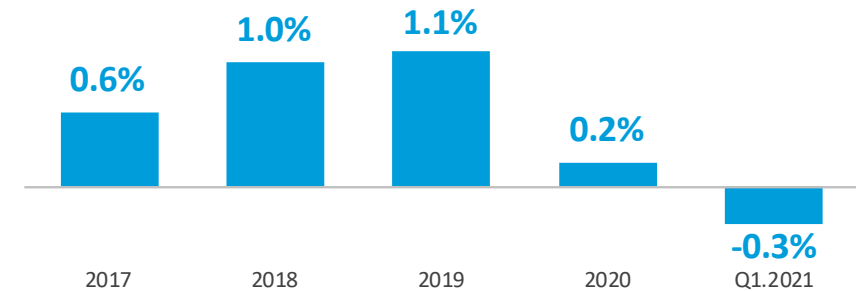
Favorable Macro-Economic Environment

Young and Growing Population⁽¹⁾ (mn)



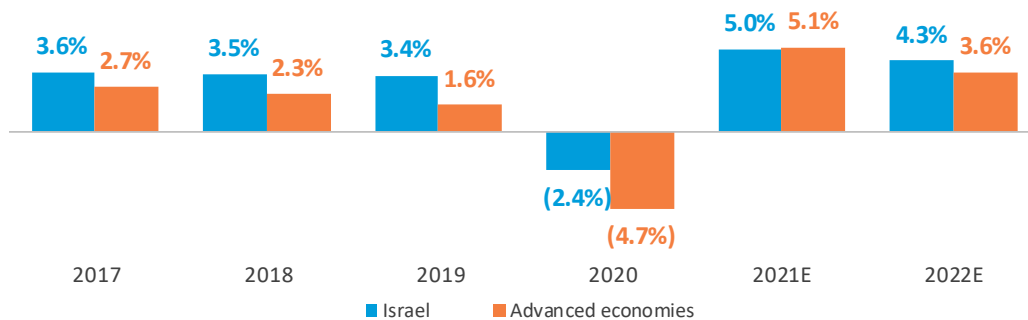
Stable Macro Environment with Controlled Inflation

Storenext Food Retail Market Index⁽²⁾



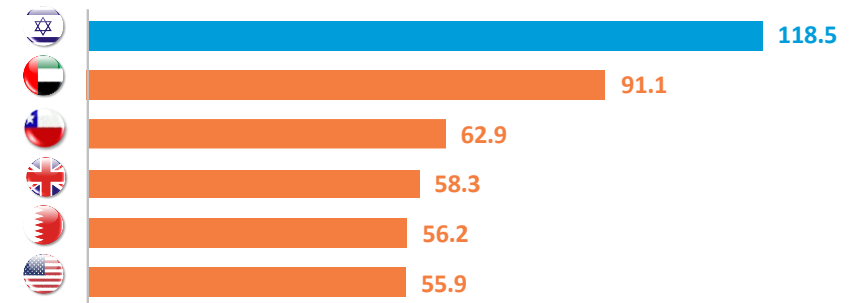
Robust Economic Growth

(change in real GDP, % per annum)⁽³⁾



The first country to emerge from the crisis and return to routine

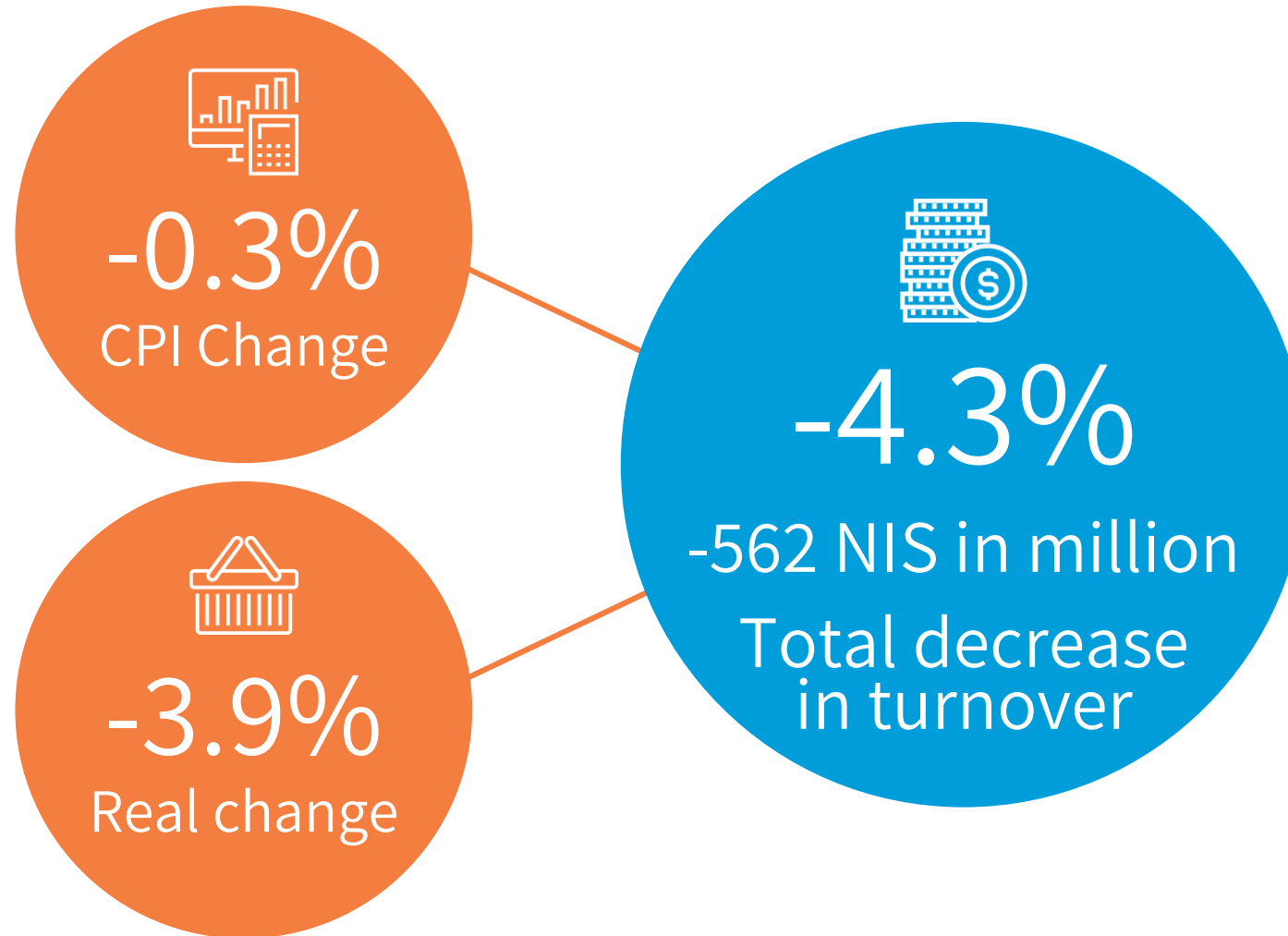
Cumulative COVID-19 vaccination doses administered per 100 people⁽⁴⁾



- 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

Change in sales and CPI (StoreNext Food Market)

FMCG, Jan.- Mar. 2021 compared to Jan. - Mar. 2020



Growth Strategy

Growing online penetration;
and a developing marketplace offering

Establishment of two automatic online shipping centers-
the first (Kadima) will be operational in mid-June



Shufersal Q1 2021 – Key Metrics



NIS 15.3bn

Revenue 12m



10.5%

EBITDA Margin



-0.5%

QoQ Decrease
in Same Store Sales



c.20%

Food Retail Market Share⁽¹⁾



21.9%

Online Share⁽²⁾



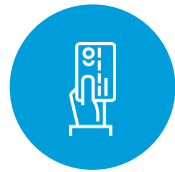
27.4%

Private Label Share⁽²⁾



301 Shufersal Stores

87 Be Stores



646k

Cardholders



NIS 2.6B

Property Owned Value



c.16,000

Employees



NIS 6.9bn⁽³⁾⁽⁴⁾

Market Cap.,
Member of TASE-35



iLAA-

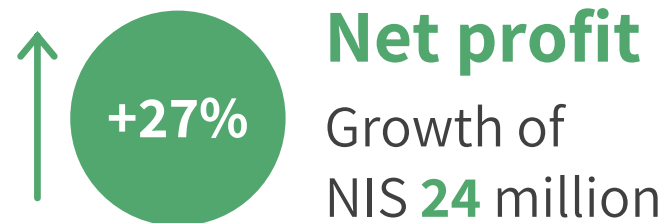
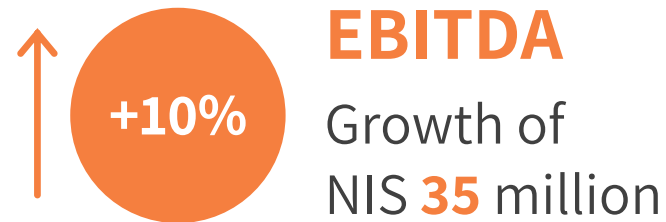
S&P Maalot Rating

(1) Based on Company's estimates as of 2020. (2) As of % of sales in Shufersal's stores. (3) As of May 05, 2021.

(4) On March 7, 2021, the Company issued to the public 27 million ordinary company shares of NIS 0.1 par value each, for a total (gross) of approx. NIS 702 million

Shufersal has shown tremendous growth and profitability in Q1 2021

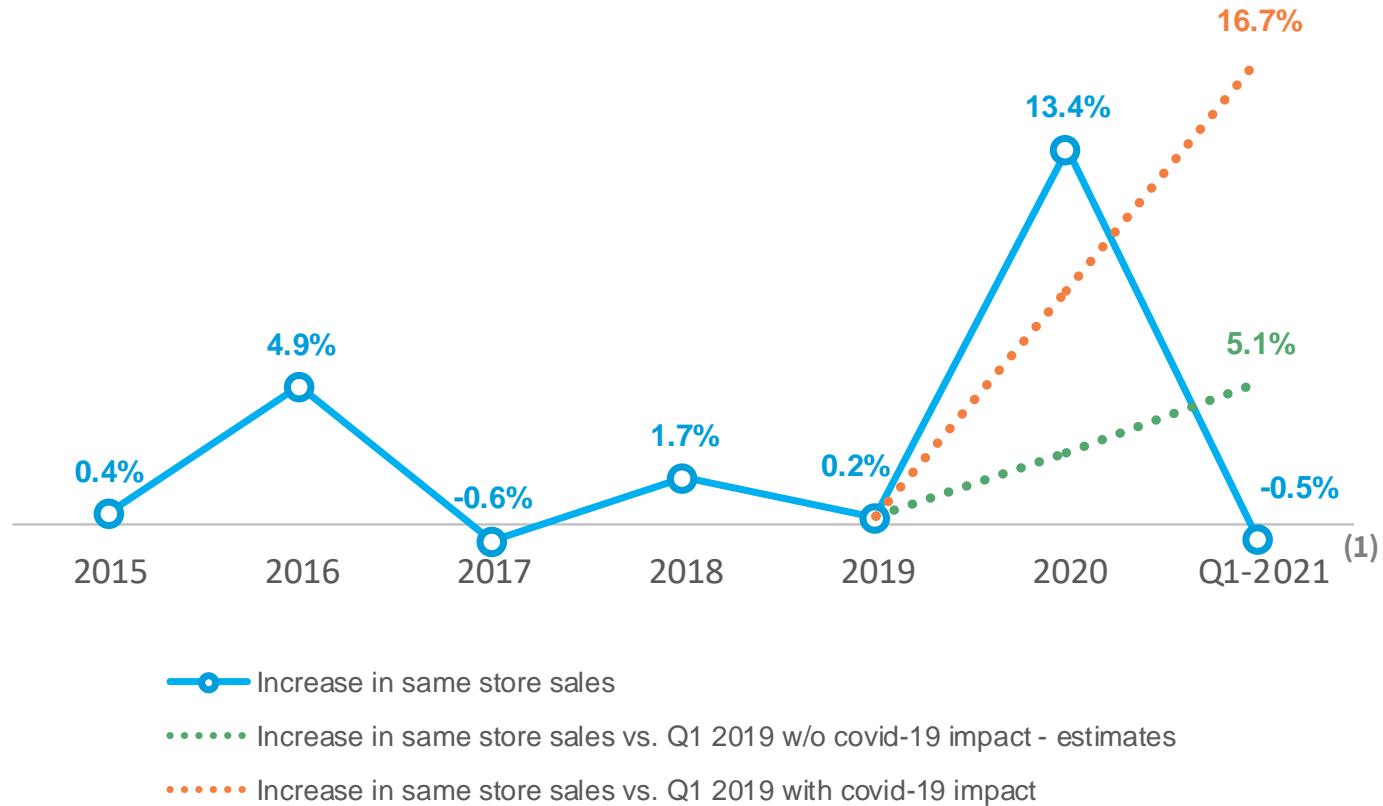
QoQ growth



RETAIL



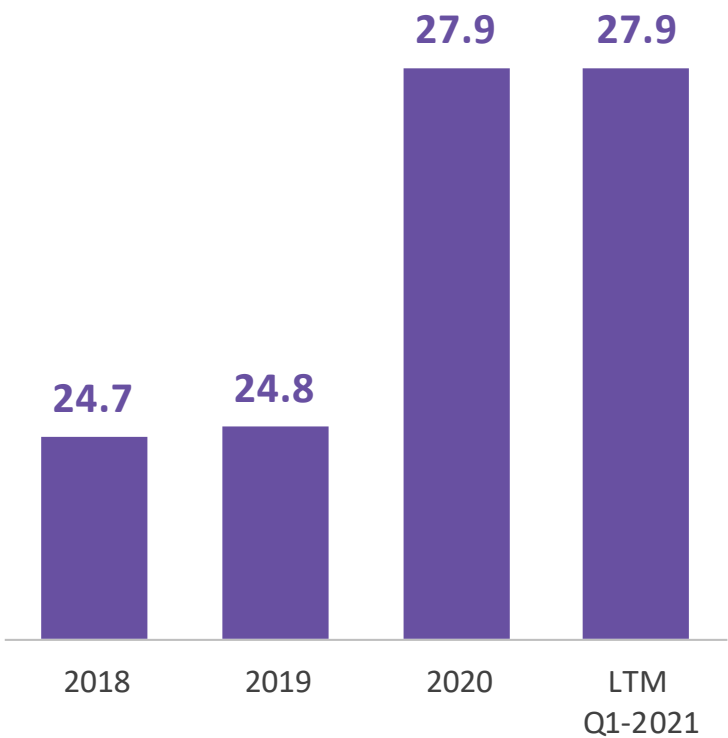
Same store sales – Retail



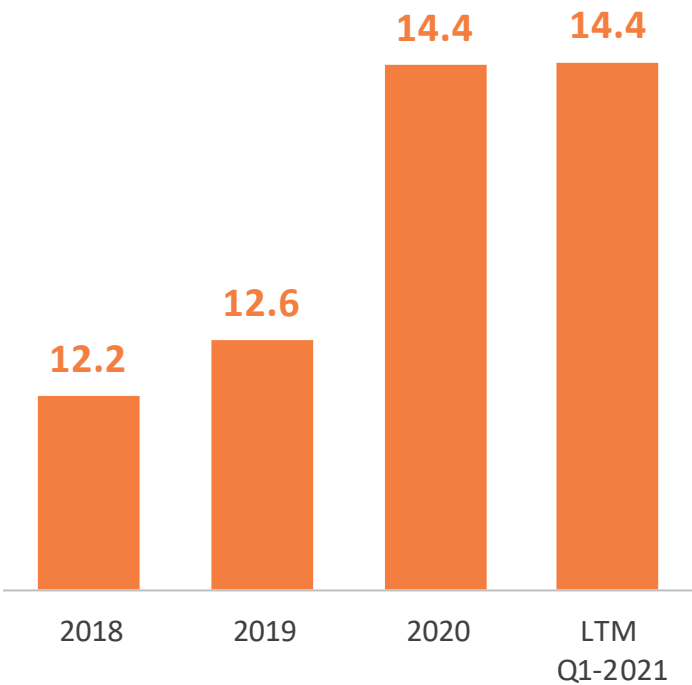
Strong and Steady Performance Across All Retail KPIs



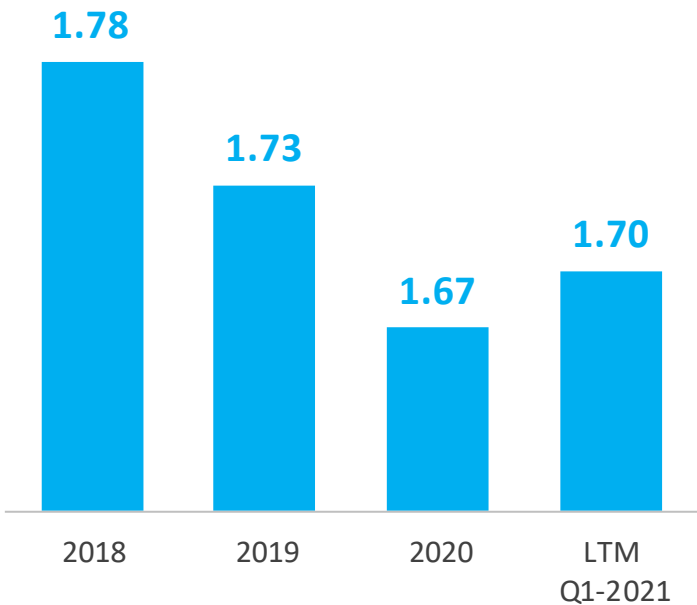
Sales per sqm⁽¹⁾⁽²⁾
(K NIS)



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

1. 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**

2. Strategy

Investment of NIS 665 million in the construction of two automatic online shipping centers:

Kadima - Expected operation Q2 / 2021

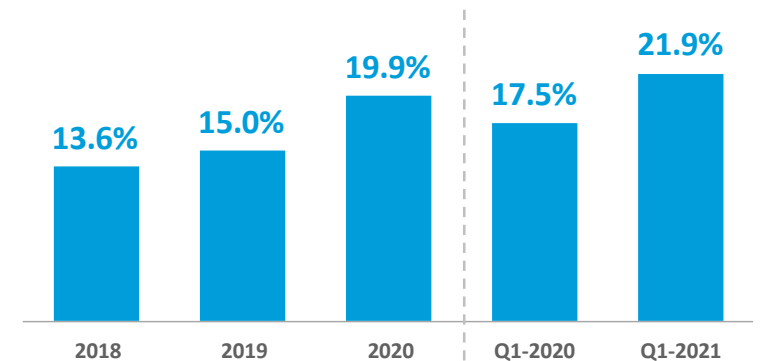
Modi'in - Expected operation Q2 / 2022

#1 Market Share Outpacing Competitors...



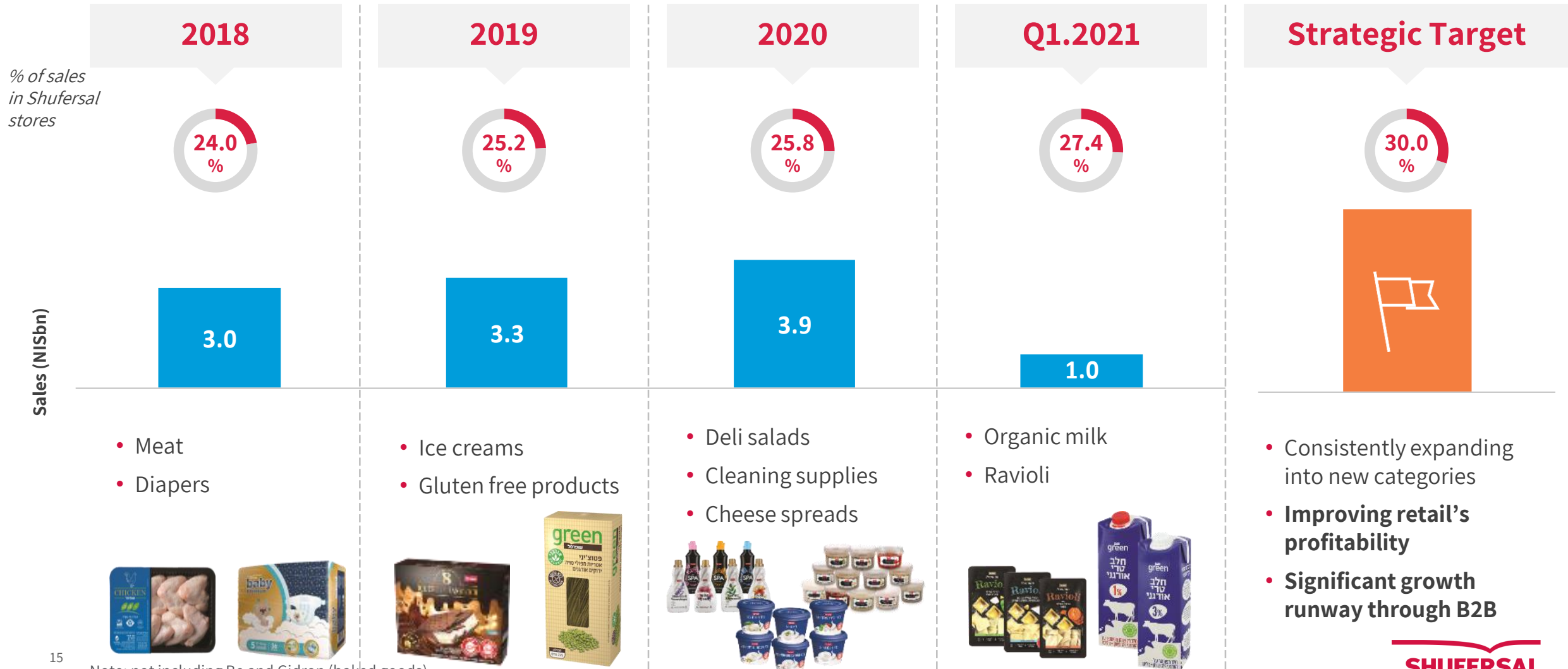
...with Rapidly Increasing Online Sales

Online Sales as % of Sales in Shufersal Stores



Consistent Expansion of Private Label

Private Label sales first crossed the NIS 1 billion mark in the quarter



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.

Institutional Market

- **Sale, marketing and distribution** of food products in the institutional market: cafes, restaurants, catering companies, nursing homes and more.
- “Shufersal Amiga” began operating during Q1 2021.

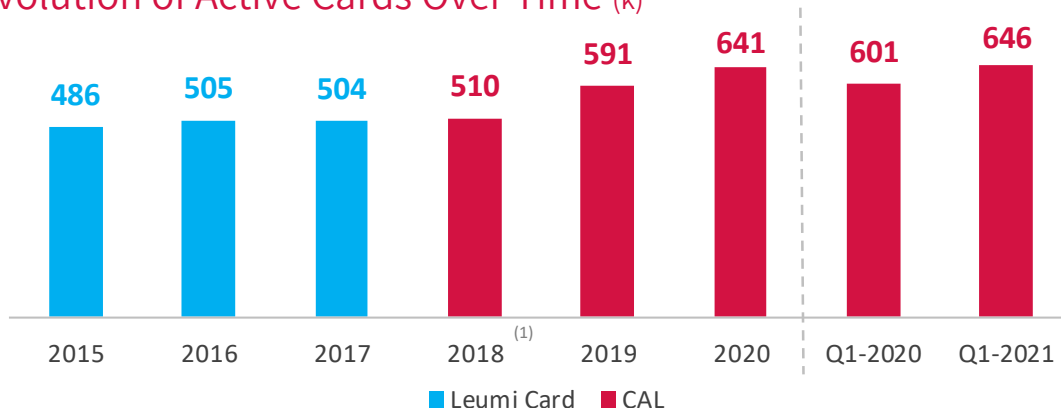
Cash & Carry and “Rural & Urban Region” represent a **compelling growth opportunity**, targeting an overall **market of NIS11.5bn** composed of mini-markets, groceries and food service, growing at 5+% historically⁽¹⁾

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

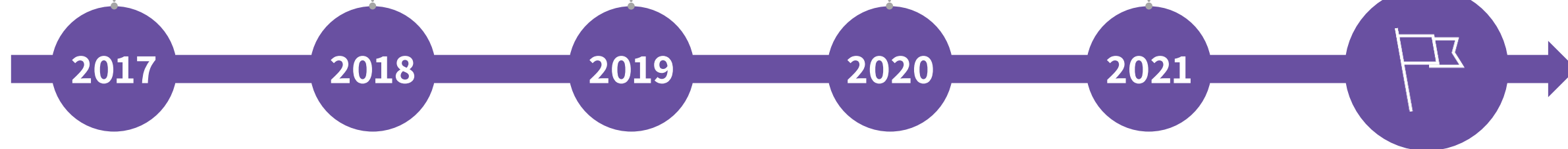
- Leverage Shufersal's retail footprint in order to recruit new members
- Provide attractive **non-bank credit offering**
- Continue to recruit "Be" customers through retail club
- Boost private label through consistent discounts
- **In January 2021**, Israel Discount Bank and Shufersal entered into 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



- **Acquisition of New Pharm chain**
- Provider of pharma (prescription and OTC drugs) and toiletry products
- Opening of 63 branches

- Rebranding to Be
- Conception of strategic plan
- **Operational combination with Shufersal (e.g. IT, HQ)**

- Consolidating growth in same-store sales
- Opening of innovative concept stores
- **Leveraging synergies with Shufersal group**

- Continued growth in same-store sales
- **Momentum in online channel – food + pharma**
- **Break-even reached in the 4th quarter of 2020**

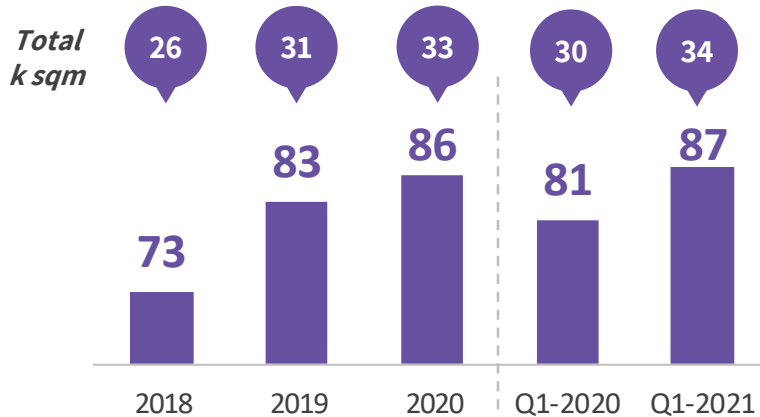
- Add thousands of items to the "Be" online range using "Be Long shipping center"
- **Transition to profit**

- **STRATEGIC TARGET**
- Margins in line with Retail

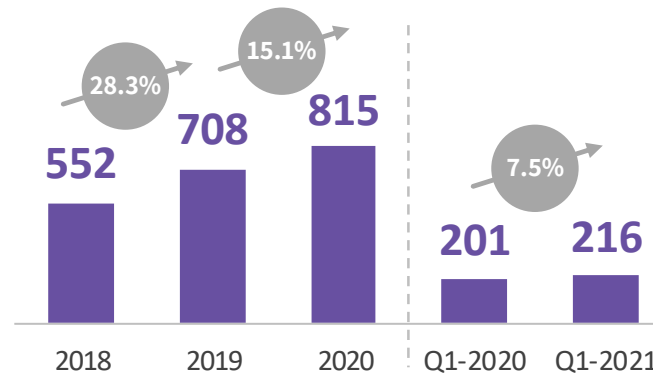
Be – Expansion into Pharma, Cosmetic and Toiletry (Cont'd)

Rapidly Growing Segment

Number of Stores

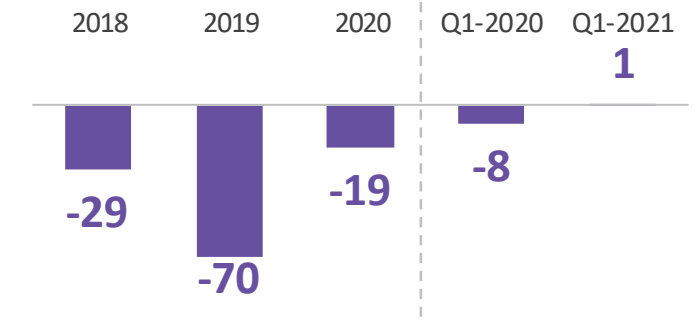


Revenue (NISmn)



Q1 2021 same store sales growth of 0.8%

Operating Profit (NISmn)



Transition to operating profit in Q1 2021

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

Owens **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)

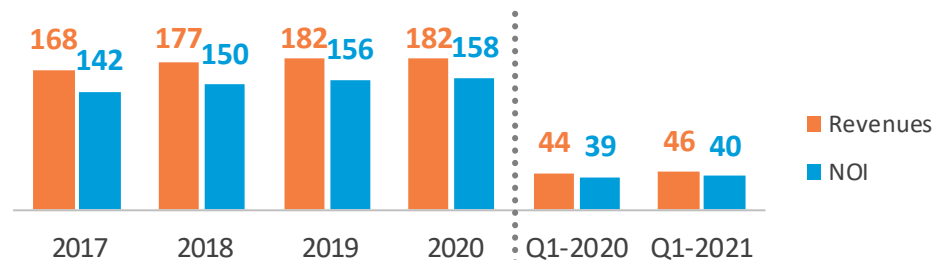
- Not including logistic assets

Select Tenants

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

Key Financials (NISmn)

Consistent revenue and profit stream

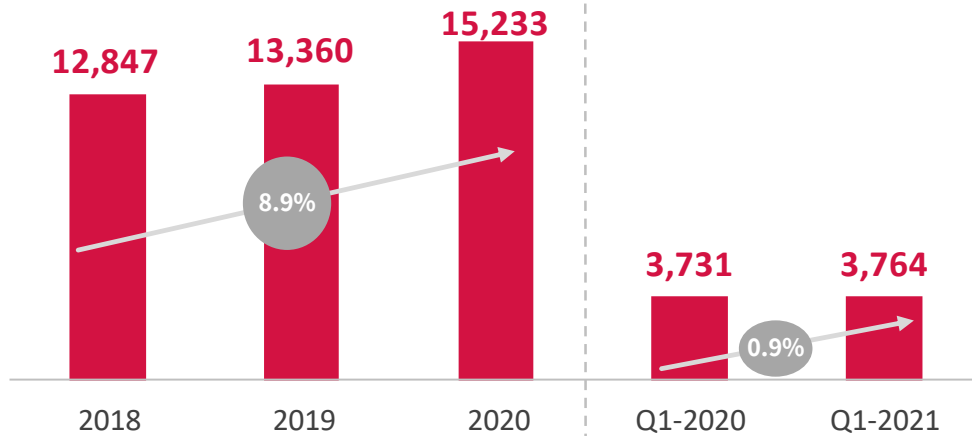


FINANCIALS

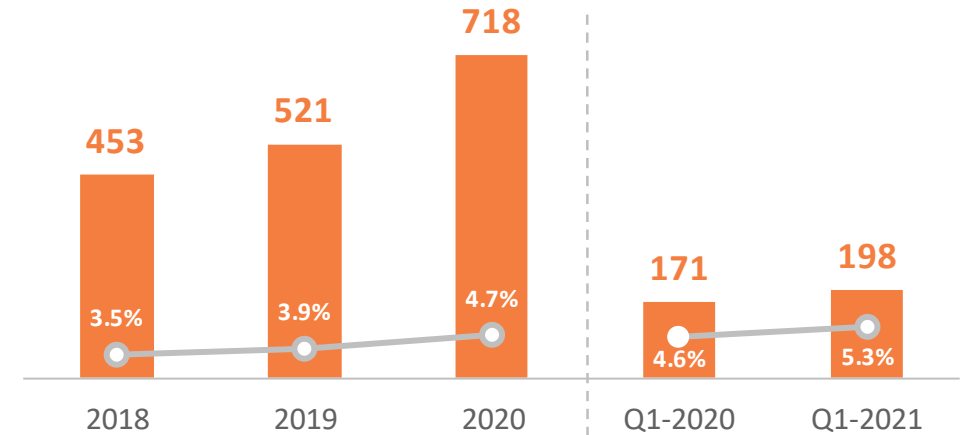


Robust Financial Performance

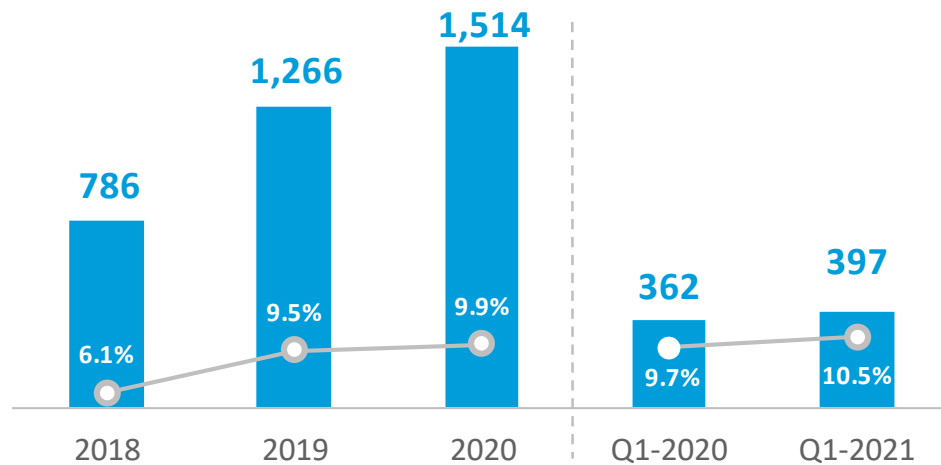
Revenue (NISmn)



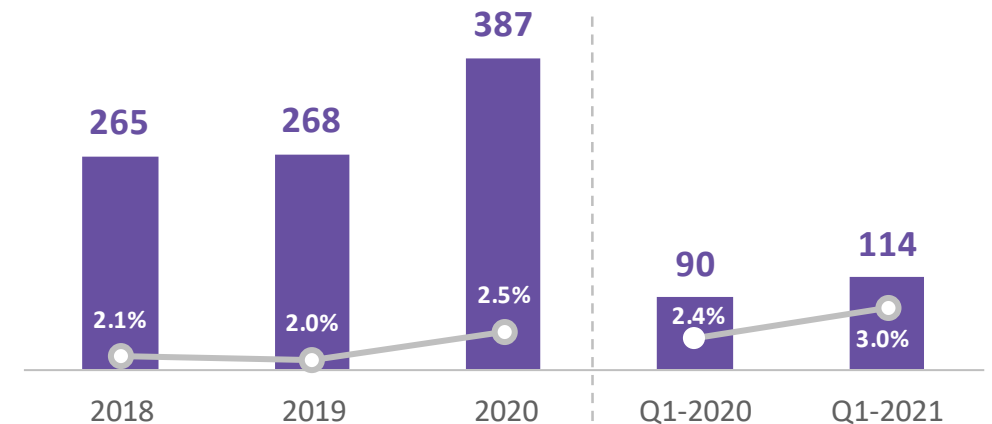
Operating Profit⁽¹⁾ (NISmn)



EBITDA (NISmn)



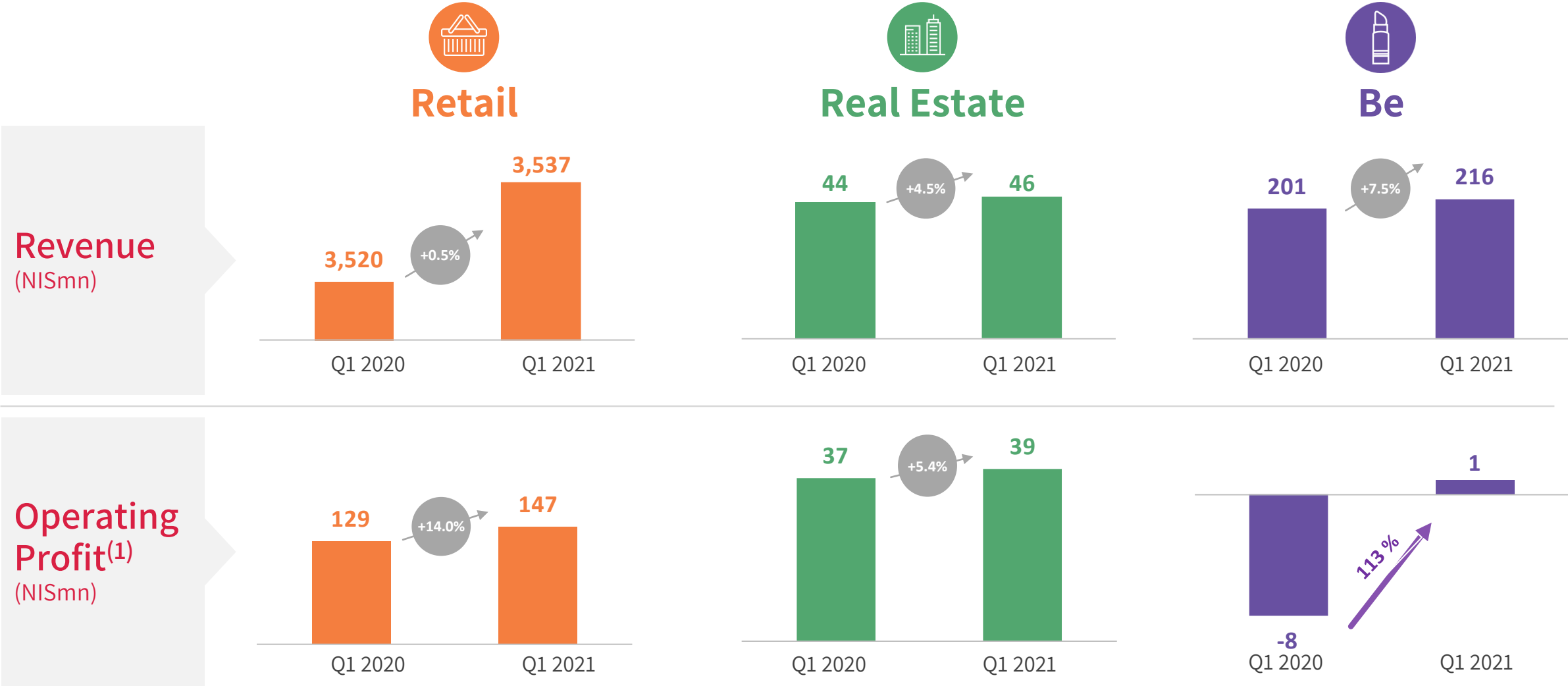
Net Income (NISmn)



(1) Before other income & expenses.

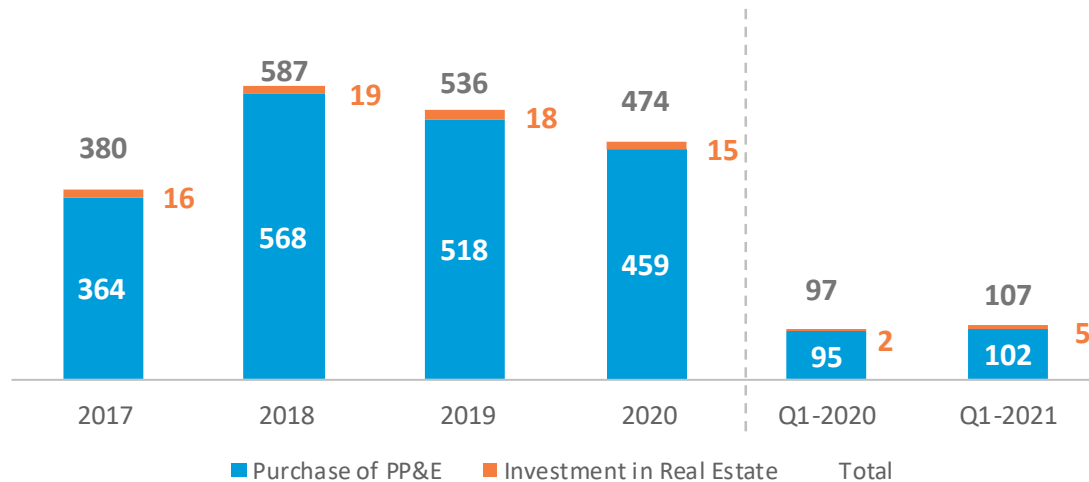
(2) Adoption of IFRS-16 at the beginning of 2019 has had a positive impact on EBITDA in the amount of NIS422mn in 2019 and an impact of NIS433mn in 2020.

Consistently Improving Profitability Across Segments

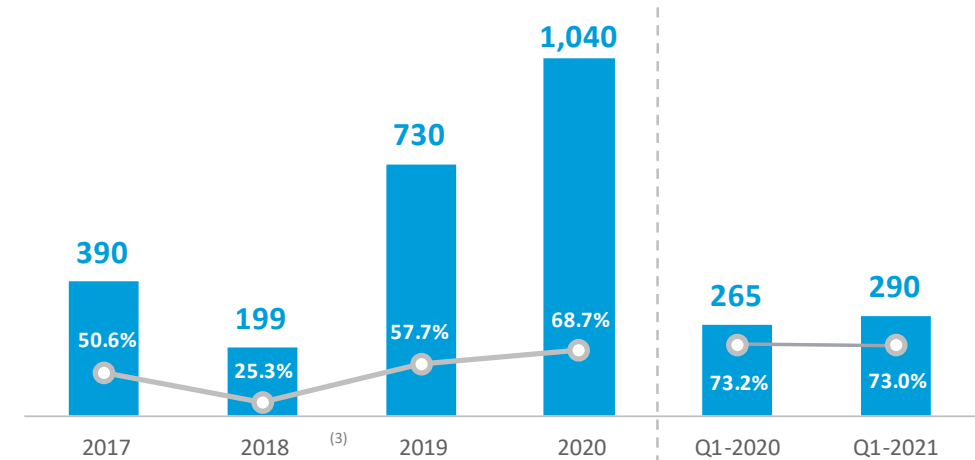


Cash Flow Evolution

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

(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

(NIS in millions) **31.03.21**

Non CPI Linked Bonds	1,866
CPI Linked Bonds	1,096
Total Debt	2,962

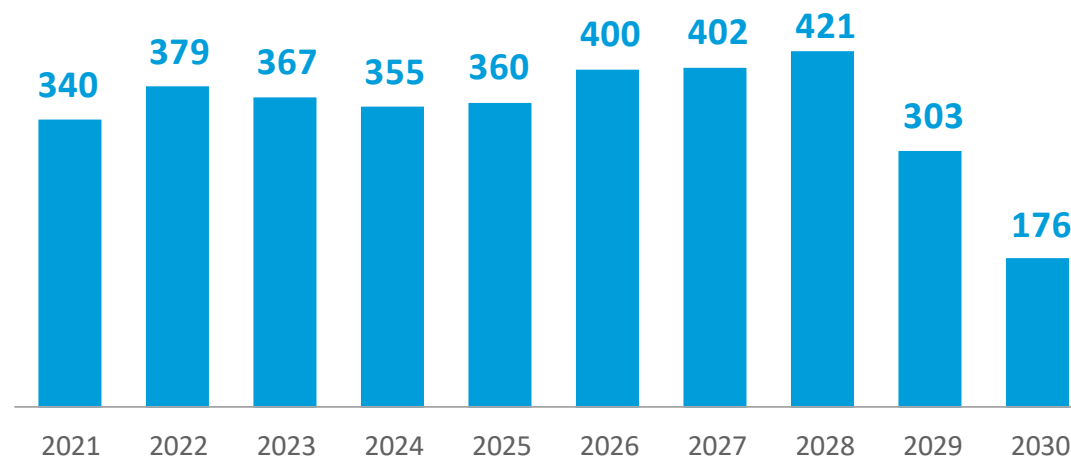
Cash & ST Investments	(1,411)
Net Debt	1,551

LTM Net Leverage exc. IFRS-16 Lease⁽¹⁾ **1.4x**

Lease Liability	3,972
LTM Net Leverage inc. IFRS-16 Lease	3.6x

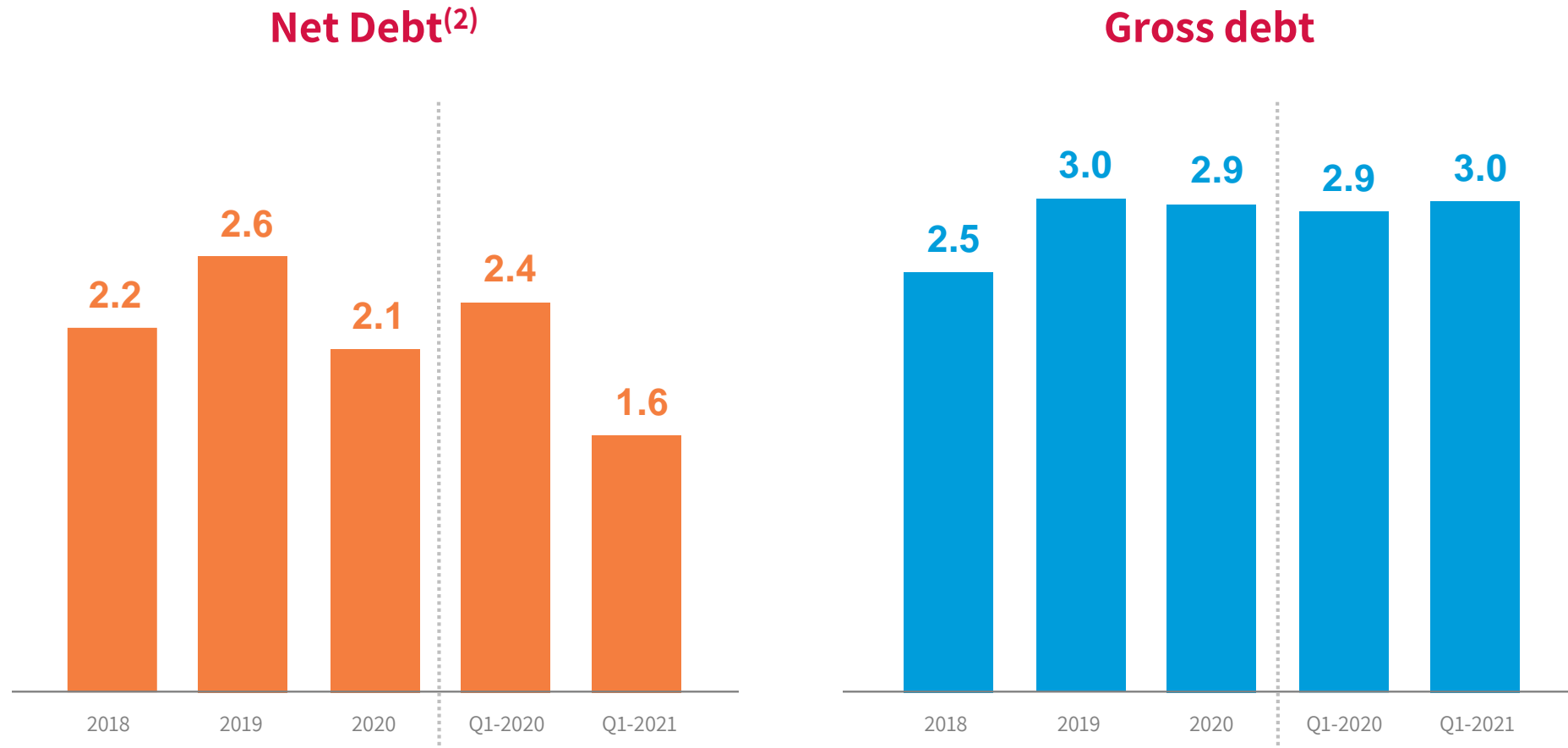
Undrawn RCF	500
Total Liquidity	1,911

Future Bond Repayments⁽²⁾ (NISmn)



- Well staggered debt maturity profile
- iIAA- 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>	Q1 2018	Q1 2019 ⁽¹⁾	Q1 2020	Q1 2021
Revenues	3,169	3,149	3,731	3,764
<i>growth (%)</i>	<i>9.1%</i>	<i>-0.6%</i>	<i>18.5%</i>	<i>0.9%</i>
Gross Profit	850	860	999	1,018
<i>margin (%)</i>	<i>26.8%</i>	<i>27.3%</i>	<i>26.8%</i>	<i>27.0%</i>
Operating expenses	(737)	(731)	(828)	(820)
Operating Profit	113	129	171	198
<i>margin (%)</i>	<i>3.6%</i>	<i>4.1%</i>	<i>4.6%</i>	<i>5.3%</i>
Other Income (Expenses), Net	(1)	(1)	(1)	0
Financing expenses, net	(28)	(64)	(50)	(49)
Net Income	67	48	90	114
<i>margin (%)</i>	<i>2.1%</i>	<i>1.5%</i>	<i>2.4%</i>	<i>3.0%</i>
EBITDA	193	305	362	397
<i>margin (%)</i>	<i>6.1%</i>	<i>9.7%</i>	<i>9.7%</i>	<i>10.5%</i>

Balance sheet (assets)

(NISmn)	31.03.2020	31.03.2021
Cash and cash equivalents, Short-term deposits	547	1,411
Trade receivables	1,878	1,714
Other receivables & Other investments	192	218
Inventory	1,069	999
Total Current Assets	3,686	4,342
Long-term deposits		400
Investments in associate	92	88
Other investments	97	83
Property, plant and equipment	3,121	3,202
Intangible assets and deferred expenses, Receivables and debit balances & Deferred taxes	1,533	1,562
Investment property	714	797
Right-of-use assets	3,638	3,919
Total Assets	12,881	14,393



Balance sheet (liabilities and equity)

(NISmn)	31.03.2020	31.03.2021
<u>Current liabilities</u>		
Current maturities in respect of bonds & Credit from banks	286	299
Current maturities of lease liabilities	342	360
Trade payables	2,605	2,440
Other payables and Provisions	1,365	1,649
Total Current liabilities	4,598	4,748
<u>Non - current liabilities</u>		
Bonds	2,614	2,663
Lease liabilities	3,322	3,612
Employee benefits, net & Other liabilities	286	319
Deferred taxes	131	138
Total non-current liabilities	6,353	6,732
Equity	1,930	2,913
Total liabilities and equity	12,881	14,393



THANK
YOU

