Company Presentation Q3 2021

November 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 retails formats catering to all segments of the population, with nationwide footprint

100% free float

Stable and experienced management team

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

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

Developing marketplace offering

(1) Including inter-segment sales.

Shufersal – Major Anchors

Retail

Customer Base

Financial Stability

Organizational & Human Capital

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Shufersal Group

	Discount format	Urban format
Core activity	שופרסל דיל, שופרסל דיל EXTRA, שופרסל Online, יש חסד, ישיר למהדרין, שערי רווחה	שופרסל שלי, שופרסל אקספרס, יש בשכונה, green
Growth engines	Be by Shufersal, Cal., שופרסל עסקים, שופרסל אמיגה, Cash&Carry, Bela by Be, PayBox, green, FRESH, Premium, baby Premium	
Anchors	שופרסל נדליין	
Additional activities	תו הזהב, GiftCard, שידרון, NOW שופרסל, Gift שופרסל, travel שופרסל	

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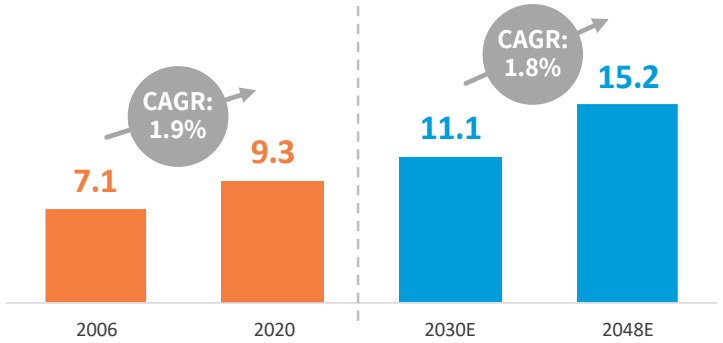
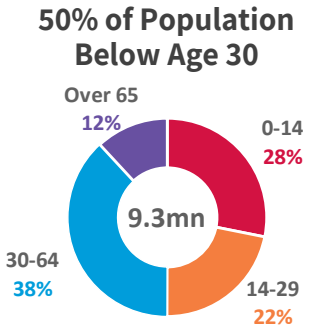
Favorable Macro-Economic Environment

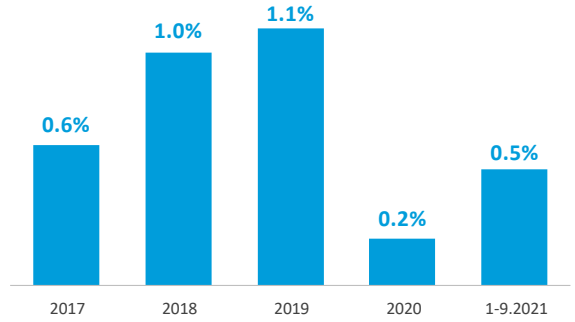
Young and Growing Population[1] (mn)





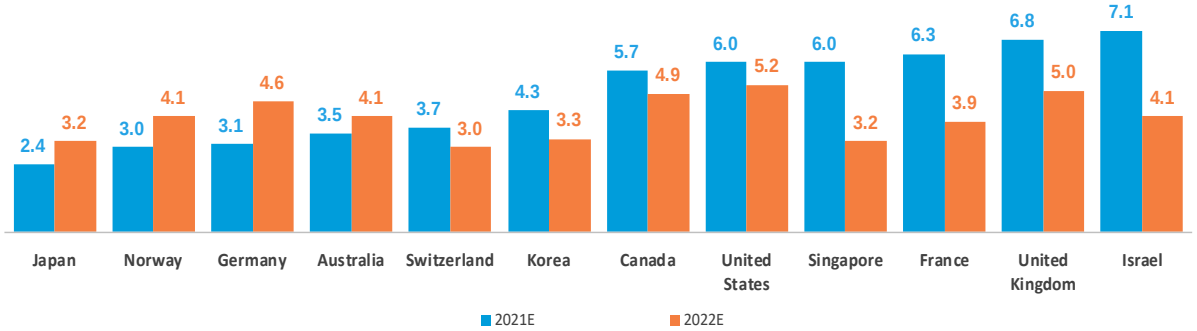
Stable Macro Environment with Controlled Inflation

Storenext Food Retail Market Index[2]

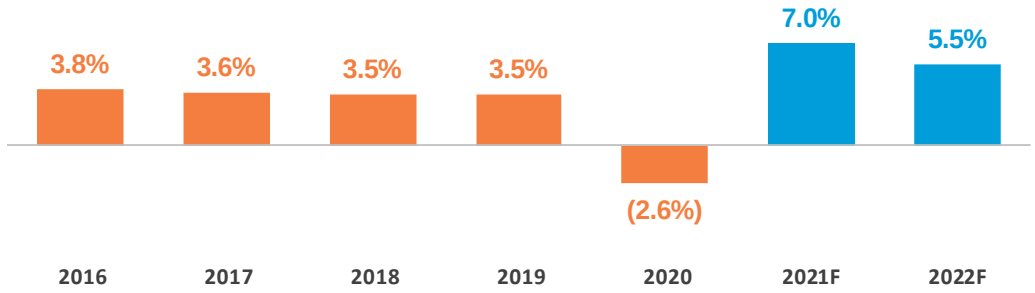


IMF – GDP Forecast for 2021-2022

Resilient Recovery of Covid-19 in Israel [3]



BOI - GDP, Rate of Change, Real Terms [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

(1) Central Bureau of Statistics (CBS). (2) Storenext. (3) International Monetary Fund as of Oct., 2021. (4) BOI Estimates as of Oct 7, 2021. CBS figures as of October 18, 2021.

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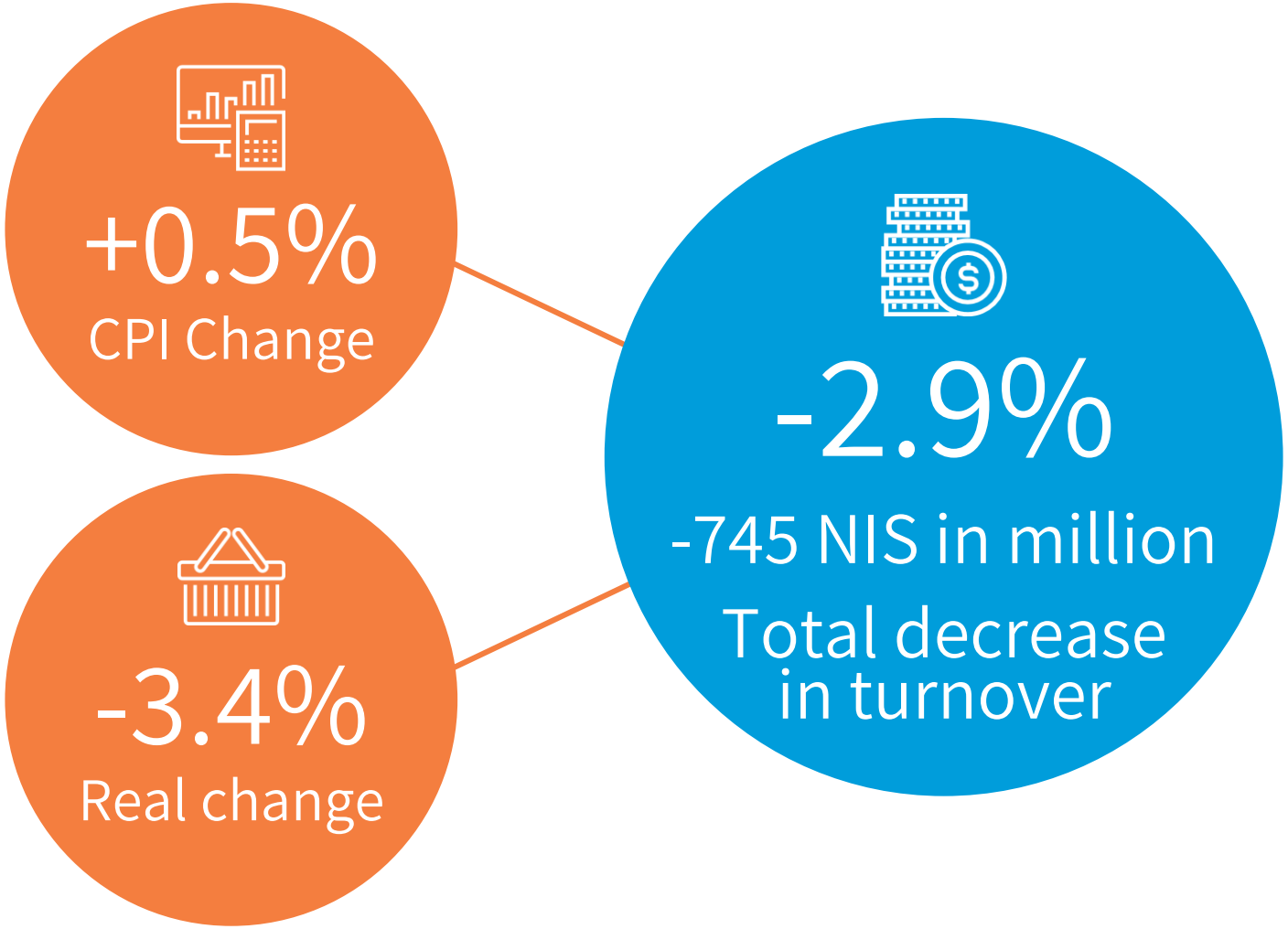
Change in sales and CPI (StoreNext Food Market)

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



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Growth Strategy

Growing online penetration;
and a developing marketplace offering

Establishment of two automatic online shipping centers- the first (Kadima) started a running process during Q3.2021

Highly revenue synergetic expansion into pharma, cosmetic and toiletry

Growing contribution with stronger margin and robust value proposition

Tap into multifold revenue streams, leveraging Israel's largest retailer club

The employment of a joint venture with Discount Bank for the establishment of a digital wallet for customers of all banks based on the "paybox" platform, has been completed in June 2021

Leading offering to the growing demand for fresh, organic and healthy products

Real estate enhancement; improving group's financial profile

Catering to largely untapped customer base

Acquisition of control in a company in the field of sale and distribution of food products and cleaning products to the institutional market

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Shufersal 1-9.2021 – Key Metrics

NIS 15.0bn
Revenue 12m

10.6%
EBITDA Margin

-3.7%
Decrease
in Same Store Sales

c.20%
Food Retail Market Share(1)

19.9%
Online Share(2)

26.5%
Private Label Share(2)

302 Shufersal Stores
91 Be Stores(3)

660k
Cardholders

NIS 2.6B
Property Owned Value

c.16,700
Employees

NIS 7.0bn(4)(5)
Market Cap.,
Member of TASE-35

ilAA-/Positive(6)
S&P Maalot Rating

(1) Based on Company's estimates as of 2020. (2) As of % of sales in Shufersal's stores. (3) Including Bela store. (4) As of November 8, 2021.
(5) 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
(6) On October 3, 2021 the company's rating was updated to ilAA-/ Positive

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Shufersal has shown growth in profitability in Q3-2021

QoQ growth

-3.6%

Revenue 3.8 BN

Decrease of
NIS **141** million

+6%

EBITDA 399

Growth of
NIS **23** million

+3%

Op. profit 186 (1)

Growth of
NIS **6** million

-15%

Net profit 82 (2)

Decrease of
NIS **15** million

(1) Before other income & expenses.
(2) The decrease is mainly due to other income in the amount of NIS 10 million in the corresponding period last year and an increase in financing expenses.

Shufersal has shown tremendous growth and profitability in 1-9.2021

Jan.- Sep. 2021 compared to Jan. - Sep. 2020

-1.8%

Revenue 11.2 BN

Decrease of
NIS **210** million

+7%

EBITDA 1,184

Growth of
NIS **81** million

+10%

Op. profit 567 (1)

Growth of
NIS **51** million

+10%

Net profit 293 (2)

Growth of
NIS **26** million

(1) Before other income & expenses.
(2) The decrease is mainly due to other income in the amount of NIS 10 million in the corresponding period last year and an increase in financing expenses.

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RETAIL

2021

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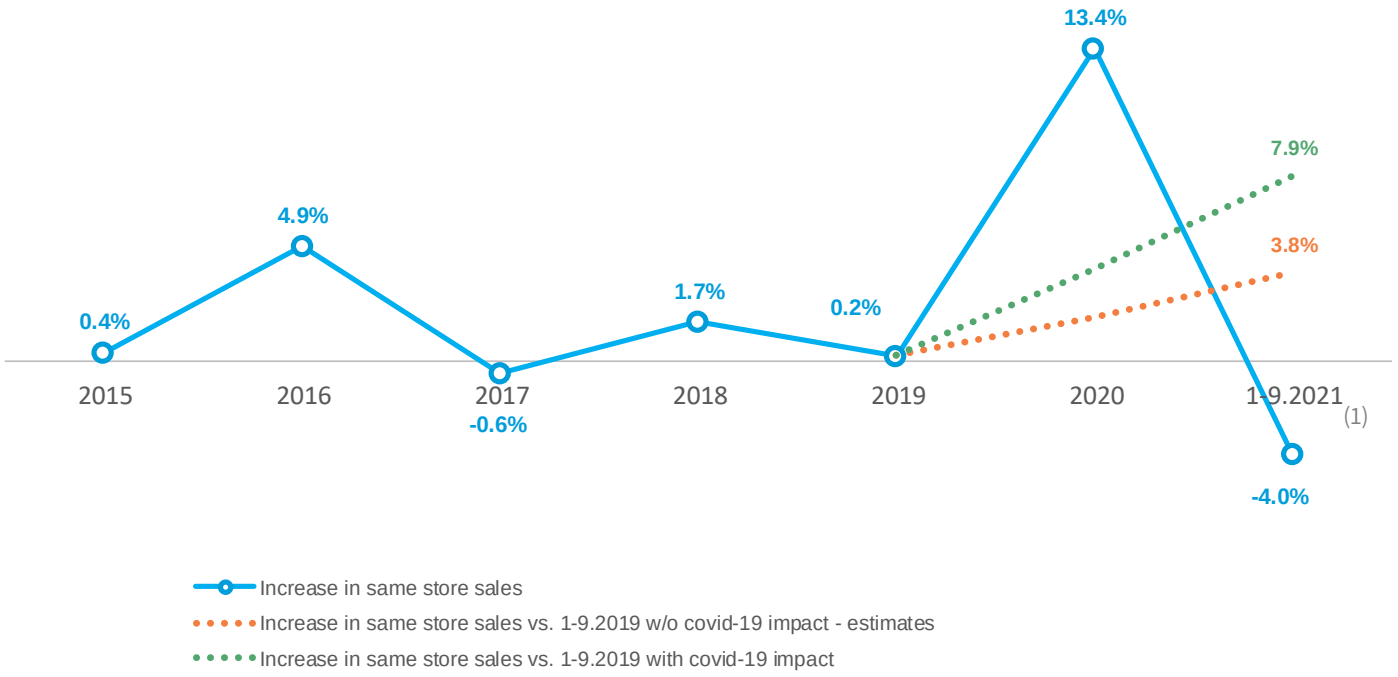
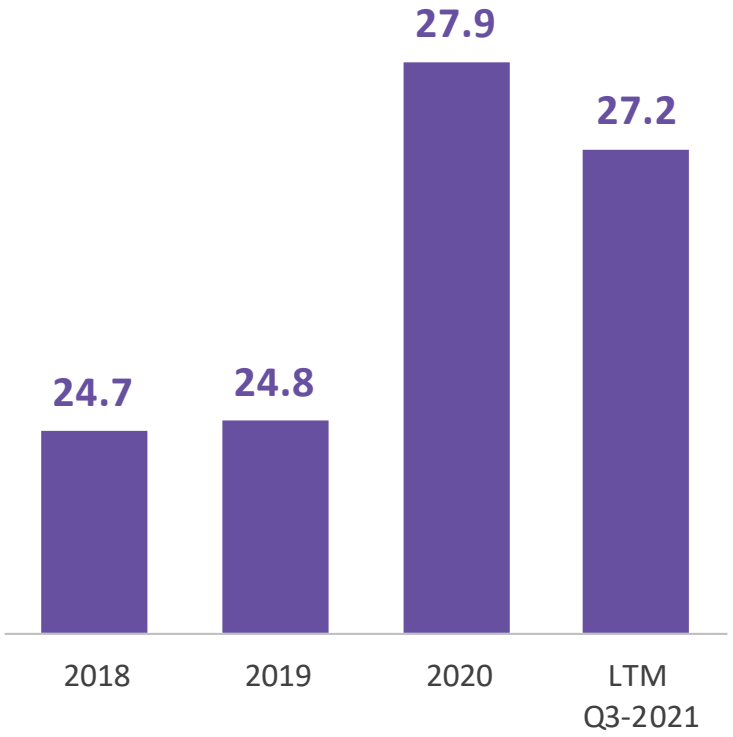
Same store sales – Retail



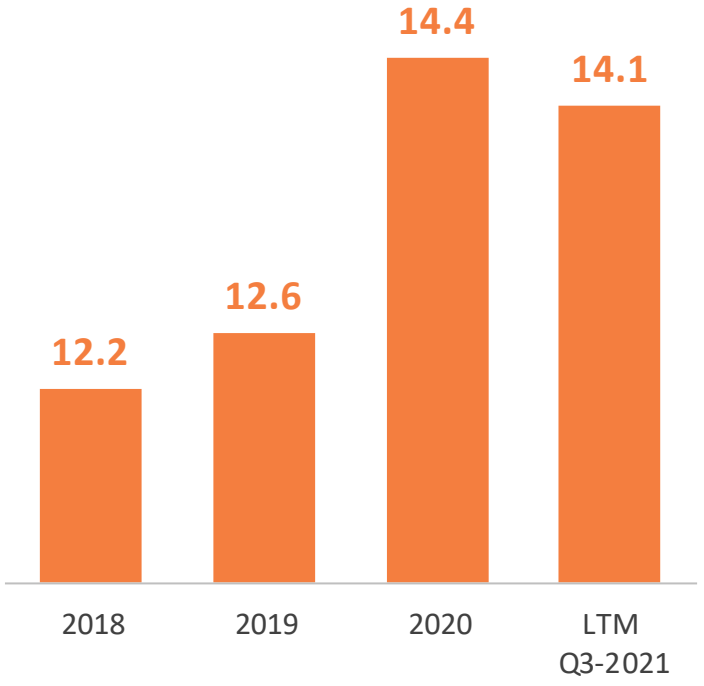
(1) Vs 1-9.2020

Strong and Steady Performance Across All Retail KPIs

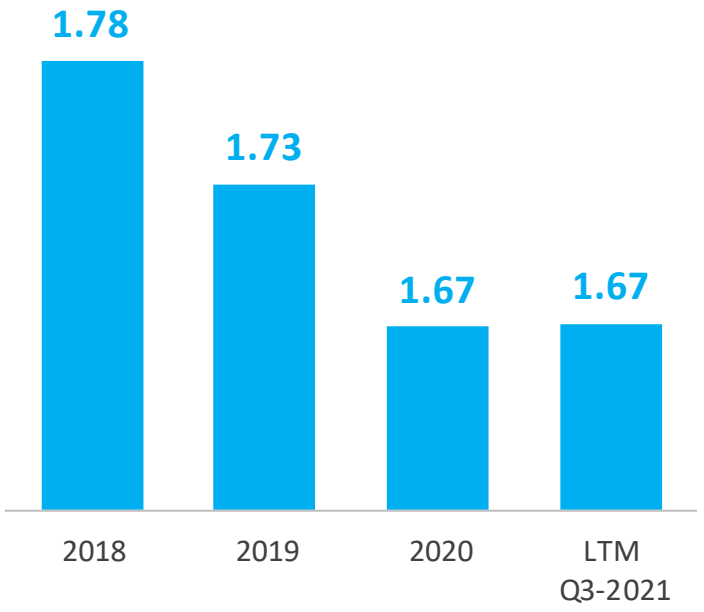
Sales per sqm[1]
(K NIS)



Total Retail Revenues
(NISbn)



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



(1) Shufersal stores, including online sales, excluding Online Be and "Rural region"
(2) Shufersal stores, excluding shipping centers

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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**
- **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 650 million[(1)] in the construction of two automatic online shipping centers:

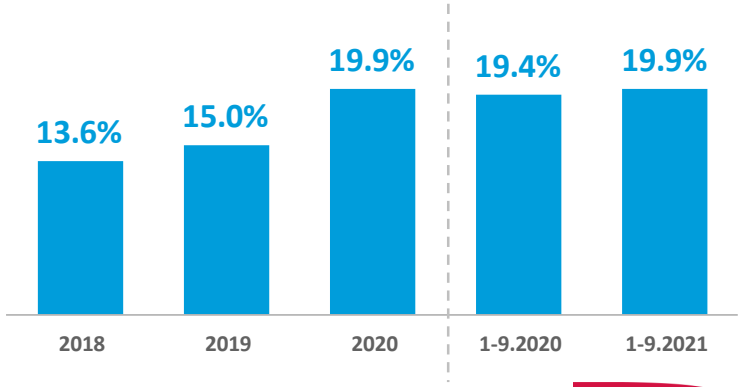
Kadima - Running process Q3 / 2021

Modi'in - Expected to be in running process at the end of 2022

#1 Market Share Outpacing Competitors…

…with Rapidly Increasing Online Sales

Online Sales as % of Sales in Shufersal Stores



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(1) Without capitalization of credit expenses

Consistent Expansion of Private Label

	2018	2019	2020	1-9.2021	Strategic Target
% of sales	24.0 %	25.2 %	25.8 %	26.5 %	30.0 %
Sales (NISbn)	3.0	3.3	3.9	2.8	
	• Meat • Diapers	• Ice creams • Gluten free products	• Deli salads • Cleaning supplies • Cheese spreads	• Shampoo • Baget • Bio Yogurt	• Consistently expanding into new categories • **Improving retail's profitability** • **Significant growth runway through B2B**

16 Note: not including Be and Gidron (baked goods).

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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

- **Shufersal Amiga" -** sale, marketing and distribution of food products in the institutional market: cafes, restaurants, catering companies, nursing homes and more.

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)

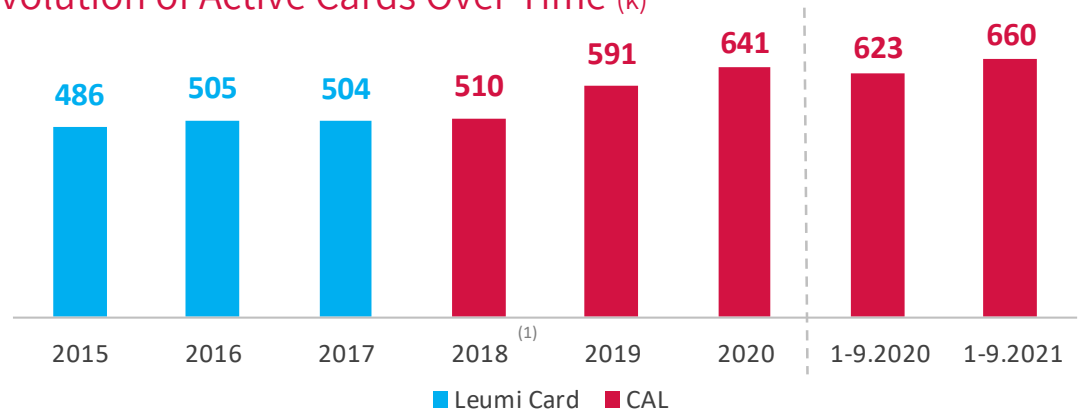
(1) Storenext as of 2020. 2015-2020 CAGR.

Israel's Largest Retailer Club

Retailer Club Overview

- **#1 Loyalty programme** with over **2mn members**
- 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
- The employment of a joint venture with Discount Bank for the establishment of a digital wallet for customers of all banks based on the " paybox " platform, has been completed **in June 2021**
- The joint venture will operate using the PayBox platform, **offering an advanced digital wallet**, including a "financial supermarket" offering innovative banking products and services

(1) Not including run-off of previous Leumi Card cards from 2018 onwards.

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Be

2021

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Be – Expansion into Pharma, Cosmetic and Toiletry

2017

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

2018

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

2019

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

2020

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

2021

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

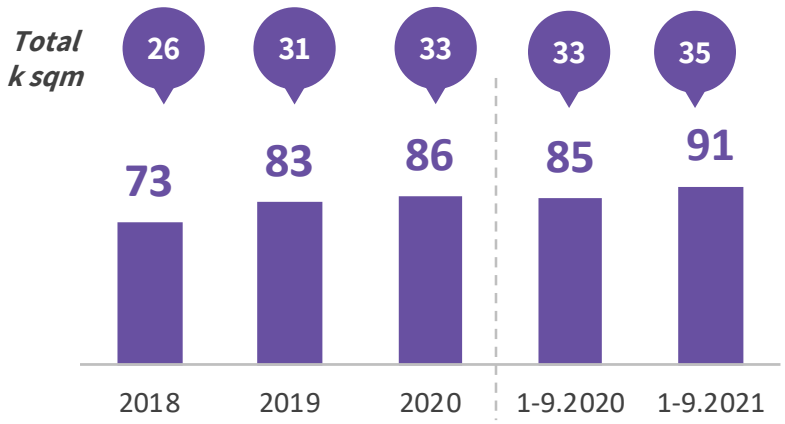
STRATEGIC TARGET

- Margins in line with Retail

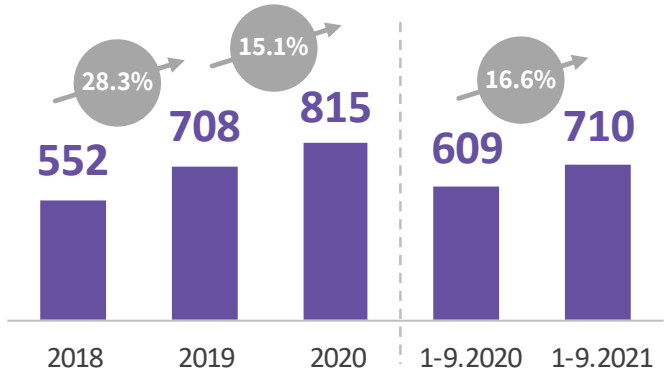
Be – Expansion into Pharma, Cosmetic and Toiletry (Cont'd)

Rapidly Growing Segment

Number of Stores (1)

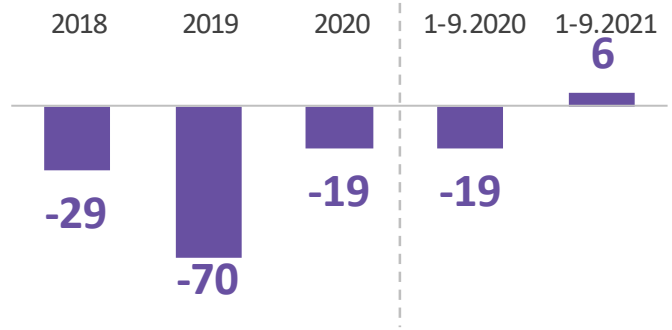


Revenue (NISmn)



Q3 2021 same store sales growth of 15.9%

Operating Profit (NISmn)



Transition to operating profit in 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
- Quick corona tests in BE stores
- **Cross-buy on Shufersal shopping floors**
- Be private label

(1) Including Bela store

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REAL ESTATE

2021

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Shufersal Real Estate

Segment Overview

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

- Consistently improving KPIs with **197K sqm** with **95% occupancy rate** as of Q3 2021

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)

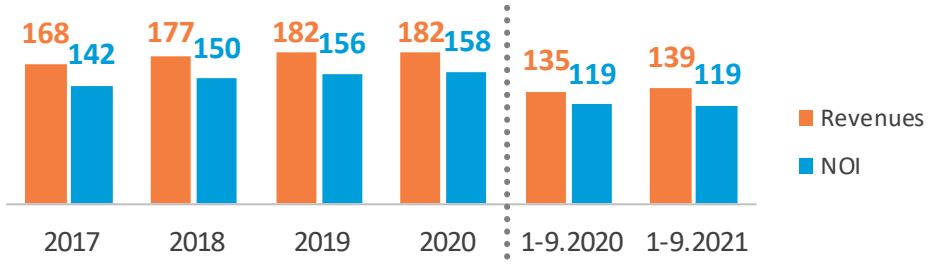
- Not including logistic assets

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 2021

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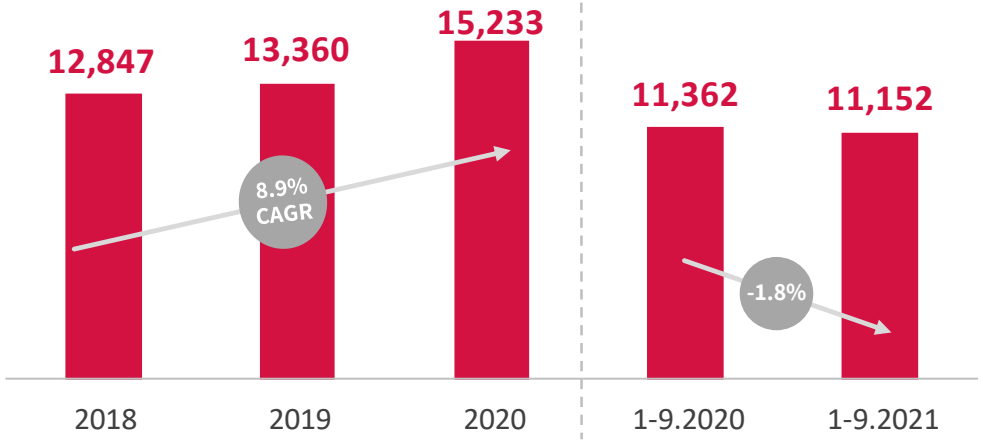
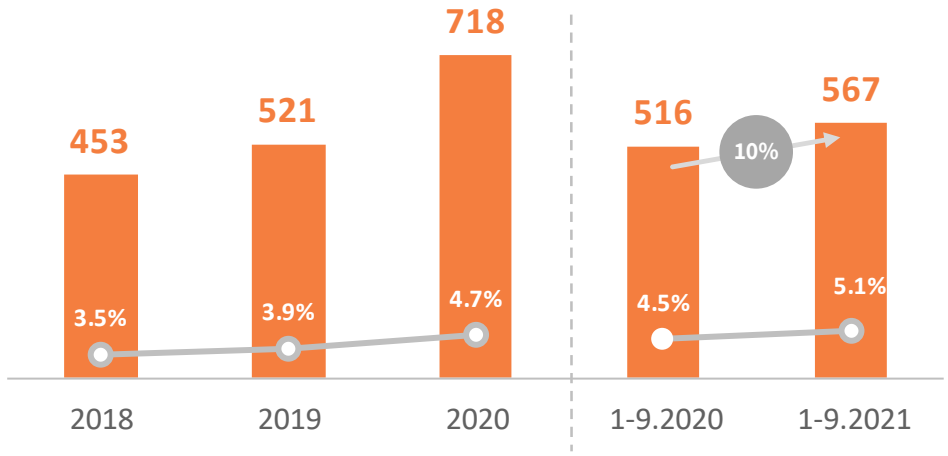
Robust Financial Performance

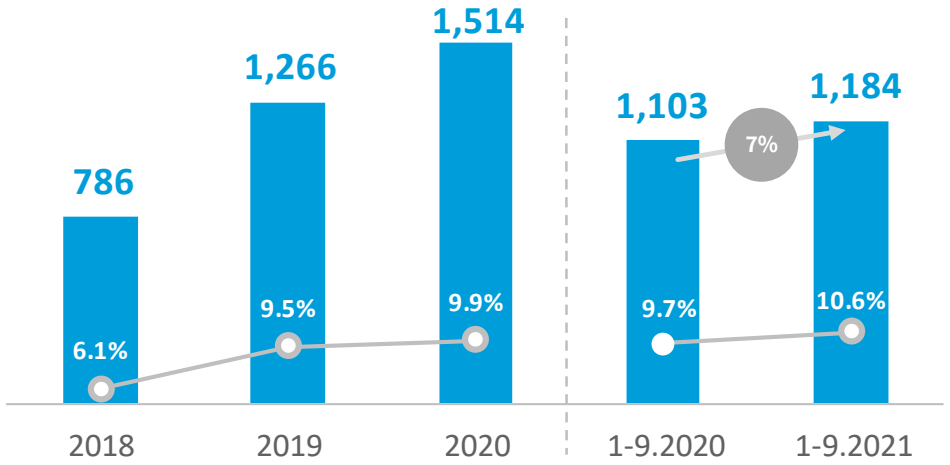
Revenue (NISmn)



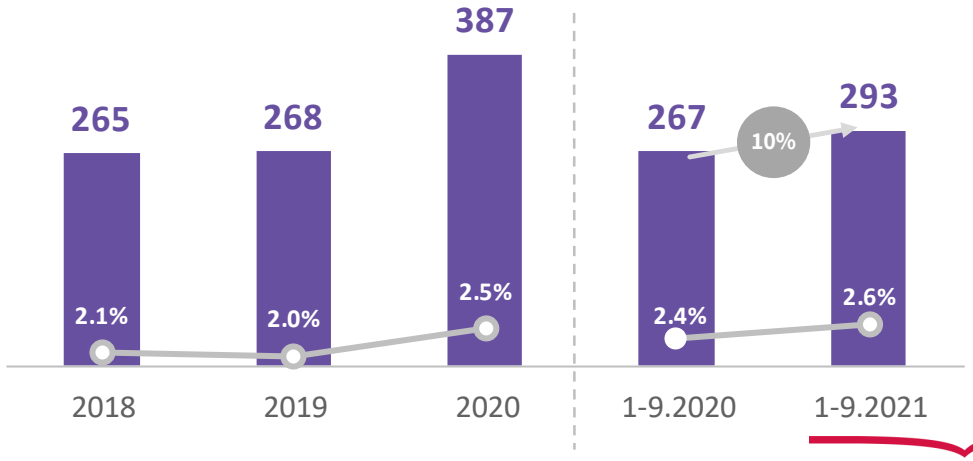
Operating Profit(1) (NISmn)



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.

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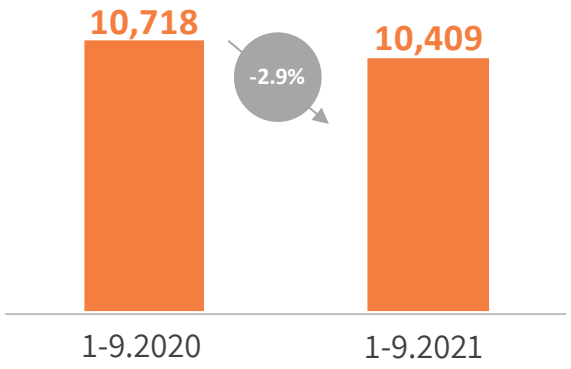
Consistently Improving Profitability Across Segments

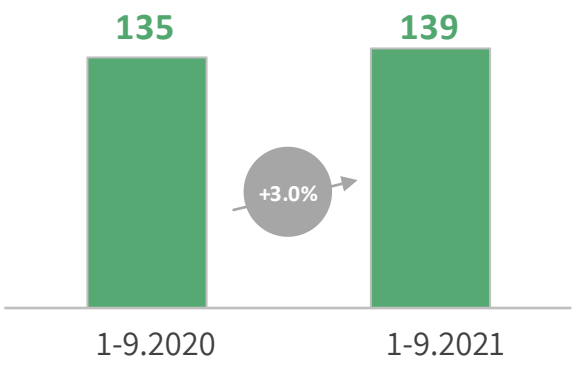
Retail

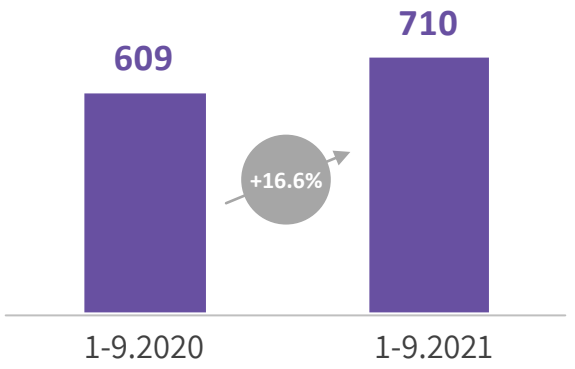
Real Estate

Be

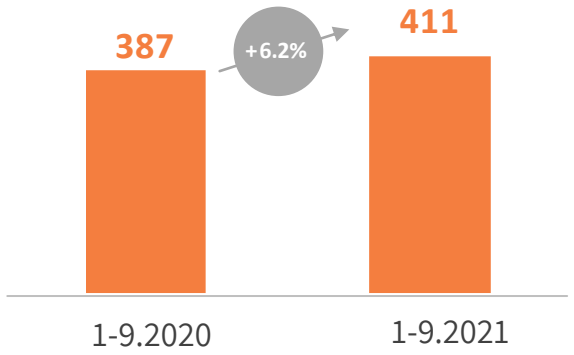
Revenue (NISmn)

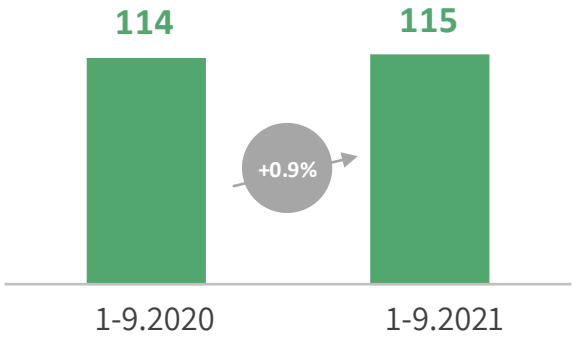


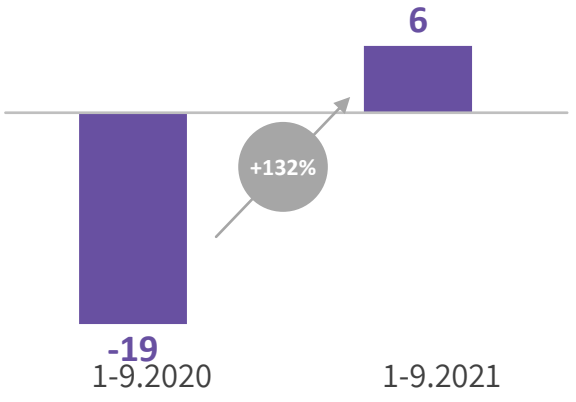




Operating Profit[1] (NISmn)







(1) Before other income & expenses.

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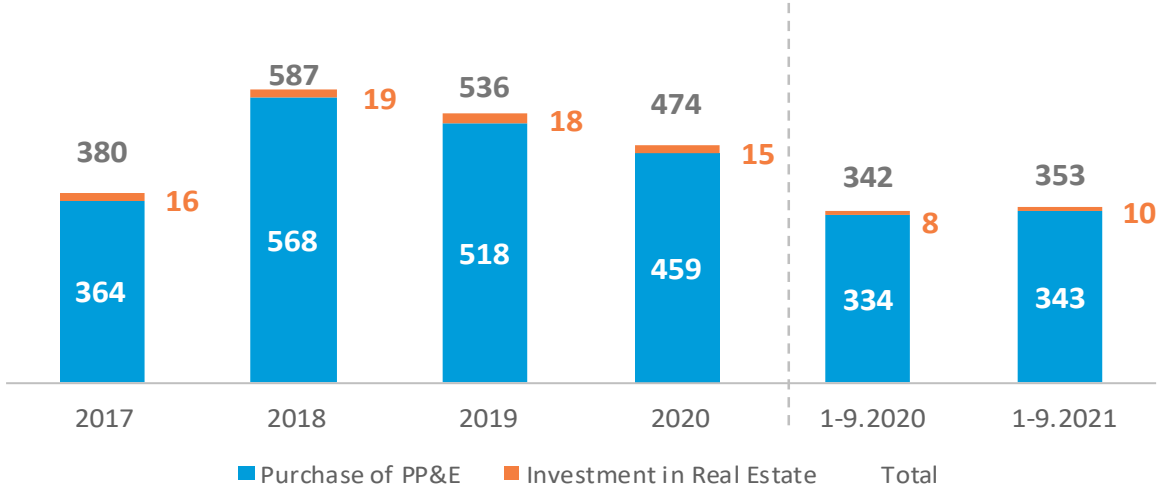
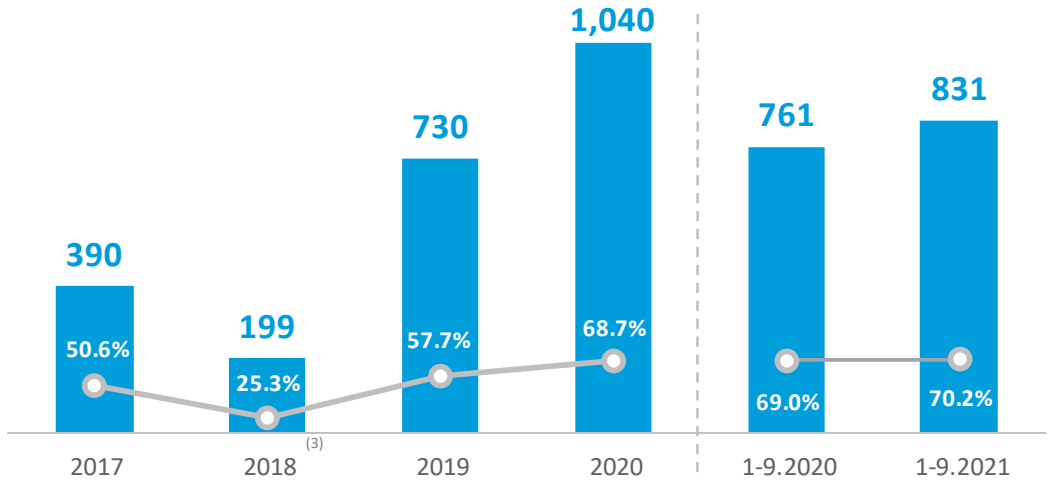
Cash Flow Evolution

Capex
(NISmn)



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



Commentary

- Disciplined capex policy
- c. NIS650mn[(4)] 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.
(4) Without capitalization of credit expenses

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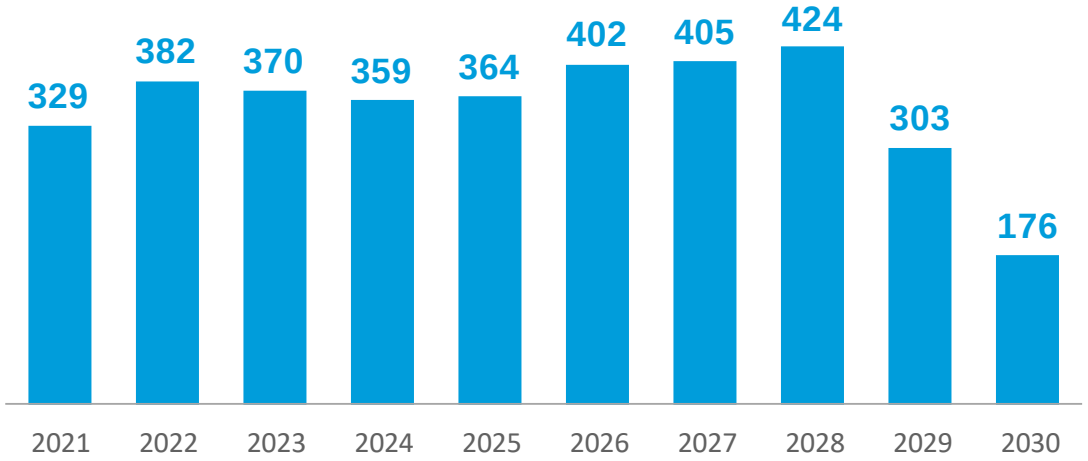
Exceptional Liquidity and Balanced Debt Profile

Cap Table

(NIS in millions)	30.09.2021
Non CPI Linked Bonds	1,883
CPI Linked Bonds	1,142
Total Debt	**3,025**
Cash & ST Investments	(1,598)
Net Debt	**1,427**
LTM Net Leverage exc. IFRS-16 Lease[1]	**1.3x**
Lease Liability	4,261
LTM Net Leverage inc. IFRS-16 Lease	3.6x
Undrawn RCF	**300**
Total Liquidity	**1,898**

Future Bond Repayments[2]

(NISmn)



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

(1) Net Debt / LTM EBITDA. EBITDA exc. IFRS-16 was calculated by subtracting leased asset amortization and leased liability interest from post IFRS-16 EBIDTA. (2) Including interest.

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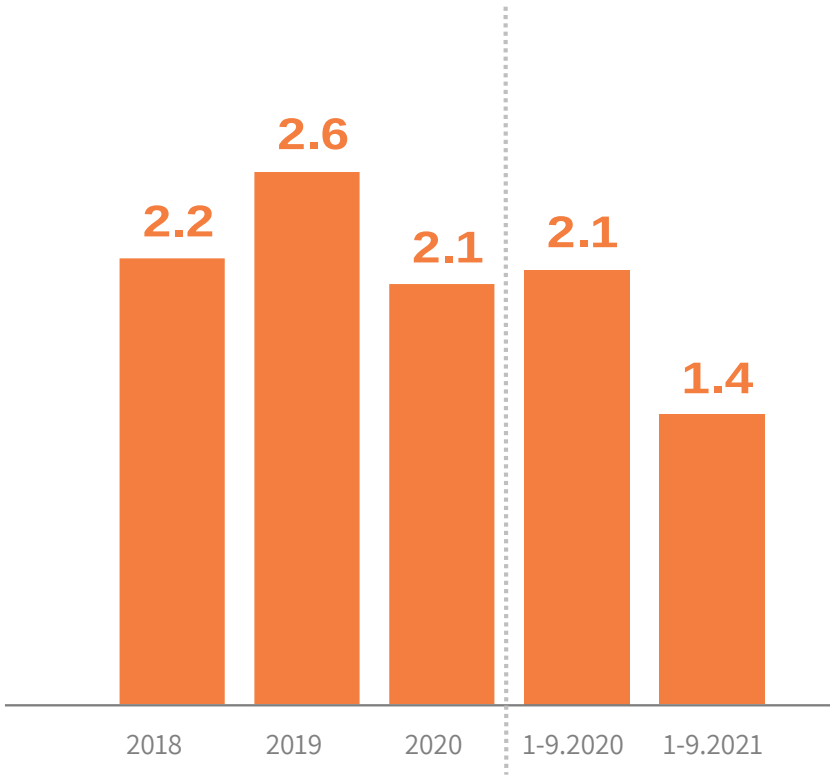
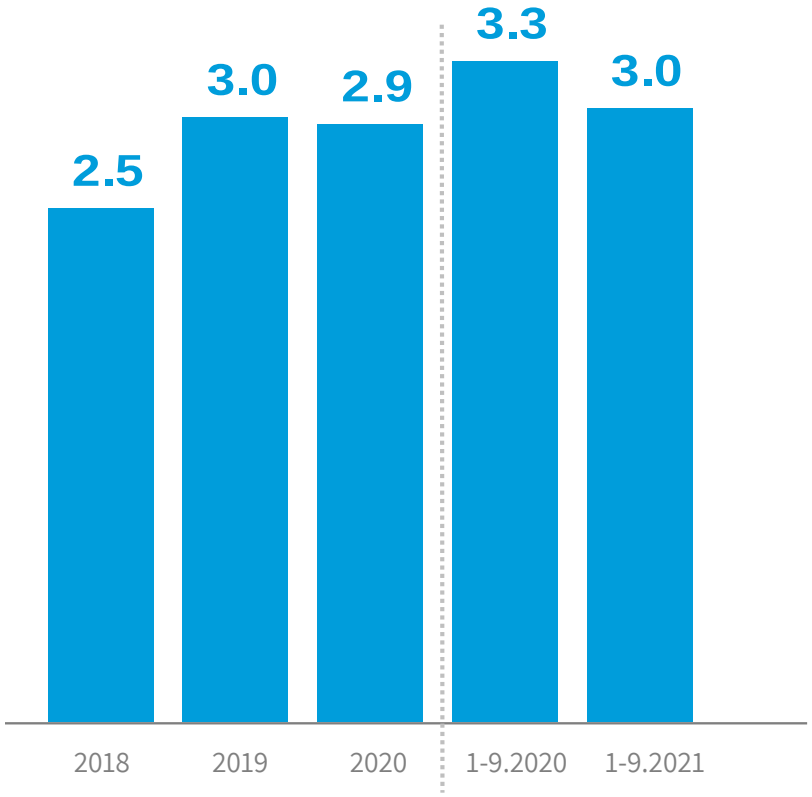
Debt Levels[(1)] that support the company's strategy

(NISbn)

Net Debt[(2)]



Gross debt



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.

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Appendix

2021

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Consolidated Income Statement

(NISmn)	1-9.2018	1-9.2019 (1)	1-9.2020	1-9.2021
Revenues	**9,620**	**10,021**	**11,362**	**11,152**
growth (%)	*7.8%*	*4.2%*	*13.4%*	*-1.8%*
Gross Profit	**2,578**	**2,711**	**2,996**	**3,047**
margin (%)	*26.8%*	*27.1%*	*26.4%*	*27.3%*
Operating expenses	(2,228)	(2,306)	(2,480)	(2,480)
Operating Profit	**350**	**405**	**516**	**567**
margin (%)	*3.6%*	*4.0%*	*4.5%*	*5.1%*
Other Income (Expenses), Net	15	(1)	13	1
Financing expenses, net	(83)	(202)	(170)	(173)
Net Income	**216**	**151**	**267**	**293**
margin (%)	*2.2%*	*1.5%*	*2.4%*	*2.6%*
EBITDA	**587**	**944**	**1,103**	**1,184**
margin (%)	*6.1%*	*9.4%*	*9.7%*	*10.6%*

(1) Adoption of IFRS-16

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Balance sheet (assets)

(NISmn)	30.09.2020	30.09.2021
Cash and cash equivalents, Short-term deposits	1,114	1,598
Trade receivables	1,738	1,566
Other receivables & Other investments	186	179
Inventory	1,018	913
Total Current Assets	4,056	4,256
Long-term deposits		350
Investments in associate	87	210
Other investments	92	80
Property, plant and equipment	3,165	3,273
Intangible assets and deferred expenses, Receivables and debit balances & Deferred taxes	1,545	1,580
Investment property	724	802
Right-of-use assets	3,836	4,193
Total Assets	13,505	14,744

Balance sheet (liabilities and equity)

(NISmn)	30.09.2020	30.09.2021
Current liabilities		
Current maturities in respect of bonds & Credit from banks	338	347
Current maturities of lease liabilities	353	387
Trade payables	2,495	2,426
Other payables and Provisions	1,338	1,377
Total Current liabilities	4,524	4,537
Non - current liabilities		
Bonds	2,920	2,678
Lease liabilities	3,521	3,874
Employee benefits, net & Other liabilities	309	421
Deferred taxes	133	140
Total non-current liabilities	6,883	7,113
Equity	2,098	3,094
Total liabilities and equity	13,505	14,744

THANK YOU

2021

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