

# Company Presentation



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# Shufersal At a Glance



## **Founded in 1957**

as Israel's 1<sup>st</sup> modern supermarket, Shufersal is the leading and largest food retailer in the country



## **Three main segments<sup>(1)</sup>:**

- **Retail** c-93% 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



**100%** free float

**Stable and experienced** management team



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

Developing marketplace offering



**SHUFERSAL**

# Shufersal – Major Anchors

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Retail



Customer  
Base

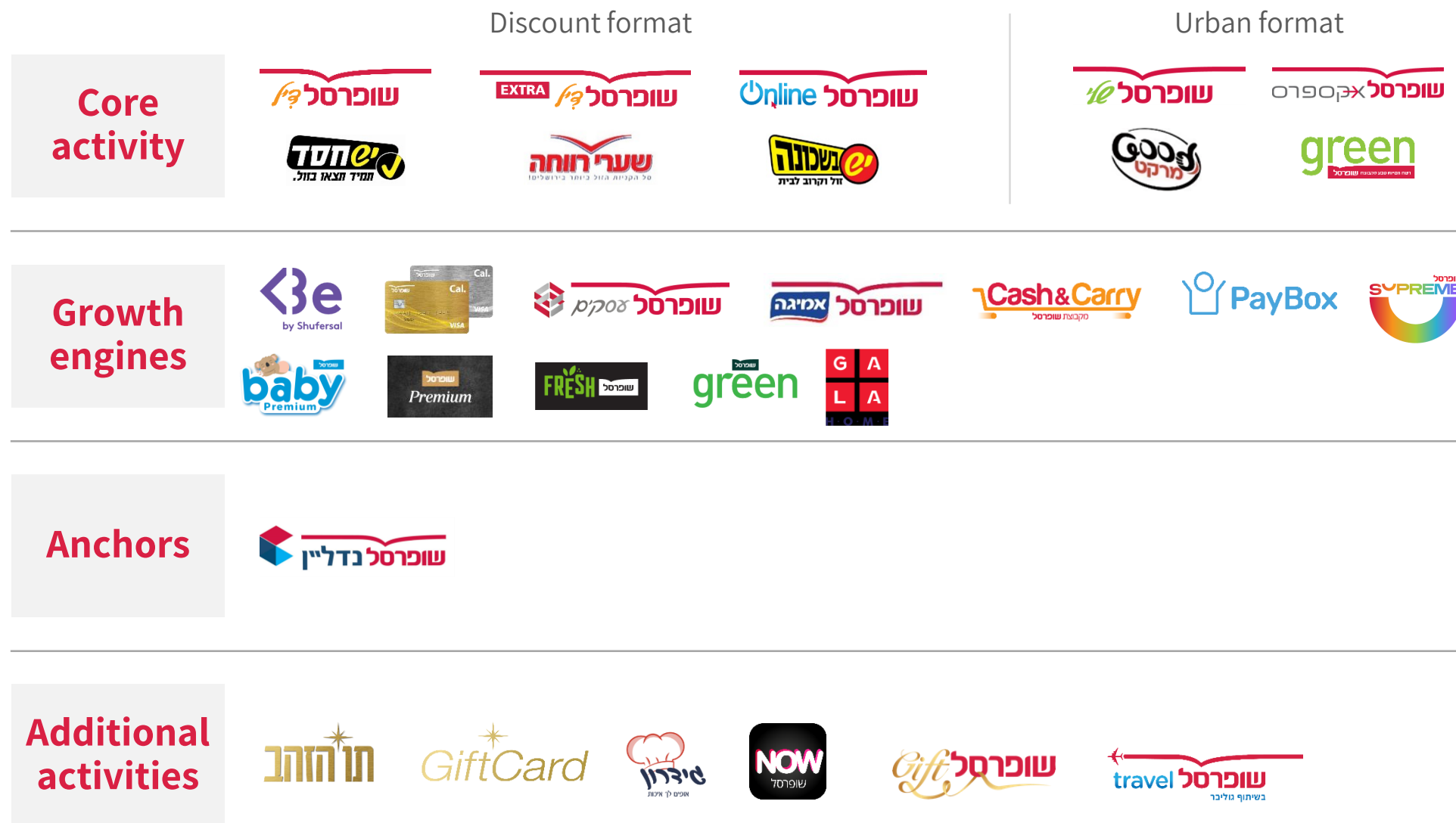


Financial  
Stability



Organizational &  
Human Capital

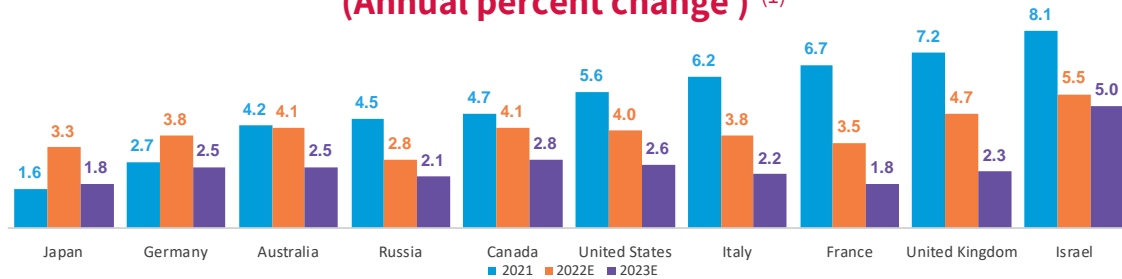
# Shufersal Group



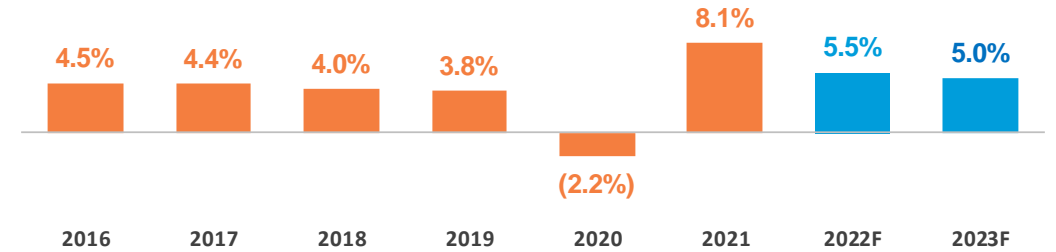
# Favorable Macro- Growth rates in Israel are among the highest worldwide

## Real GDP & Forecast for 2021-2023

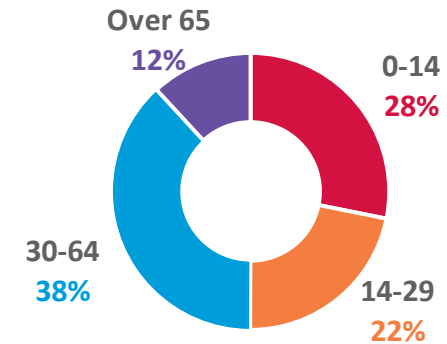
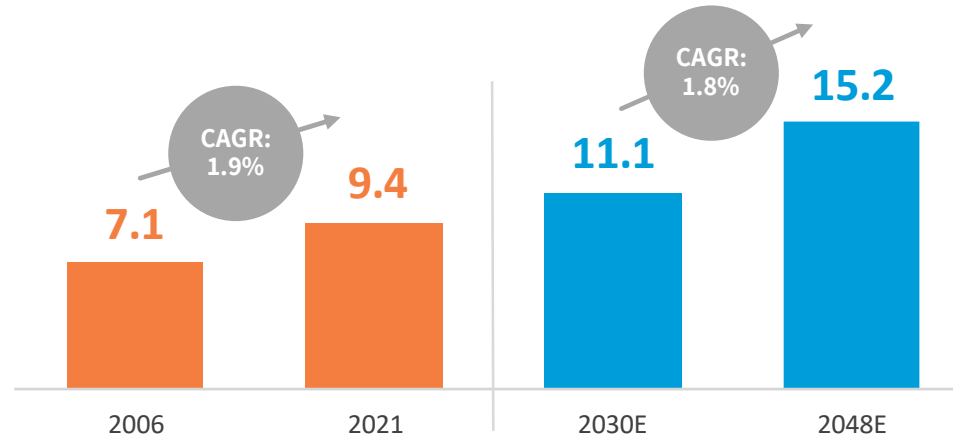
(Annual percent change) <sup>(1)</sup>



## BOI - GDP, Rate of Change, Real Terms <sup>(2)</sup>



## Young and Growing Population <sup>(3)</sup> (mn)



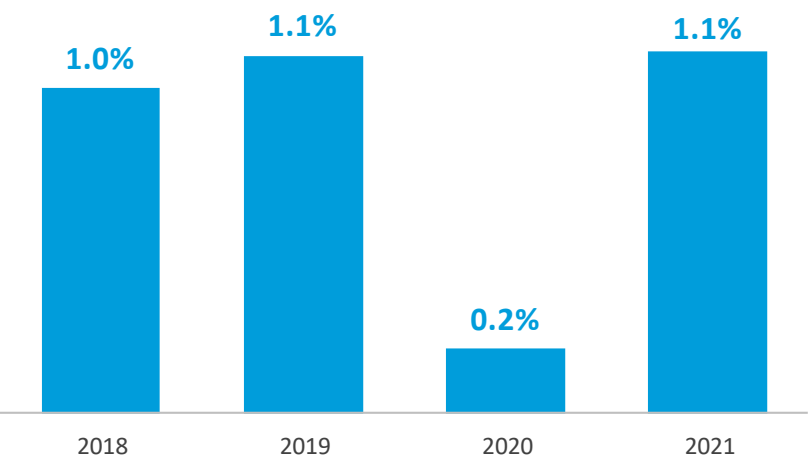
- Standard of living has consistently improved in recent years, fueling the growth of the retail market
- One of the youngest and fastest growing population amongst developed countries



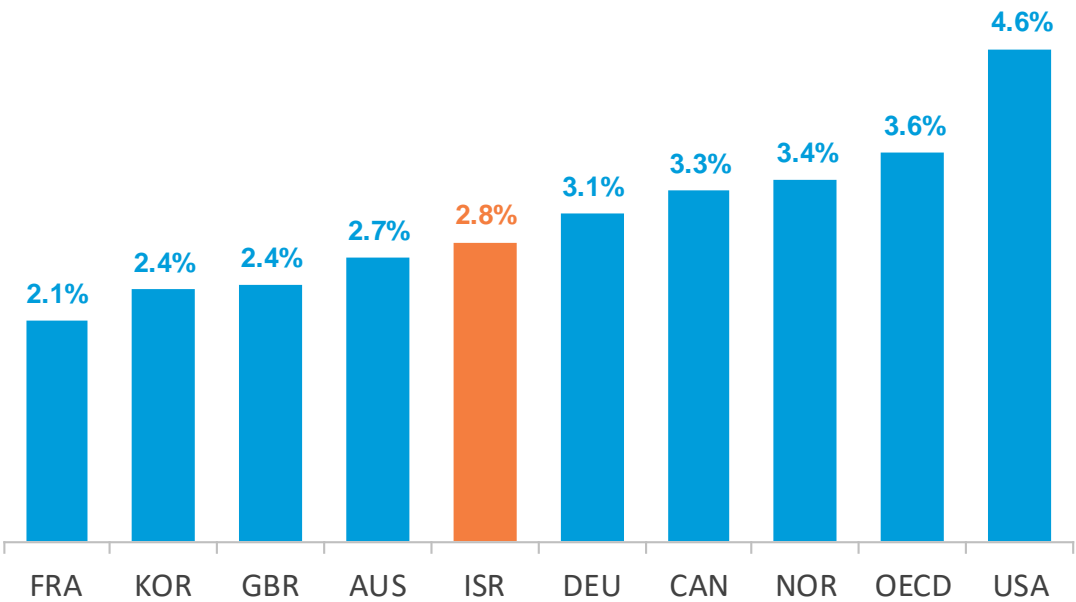
# Favorable Macro-Economic Environment

## Stable Macro Environment with Controlled Inflation

Storenext Food Retail Market Index<sup>(1)</sup>

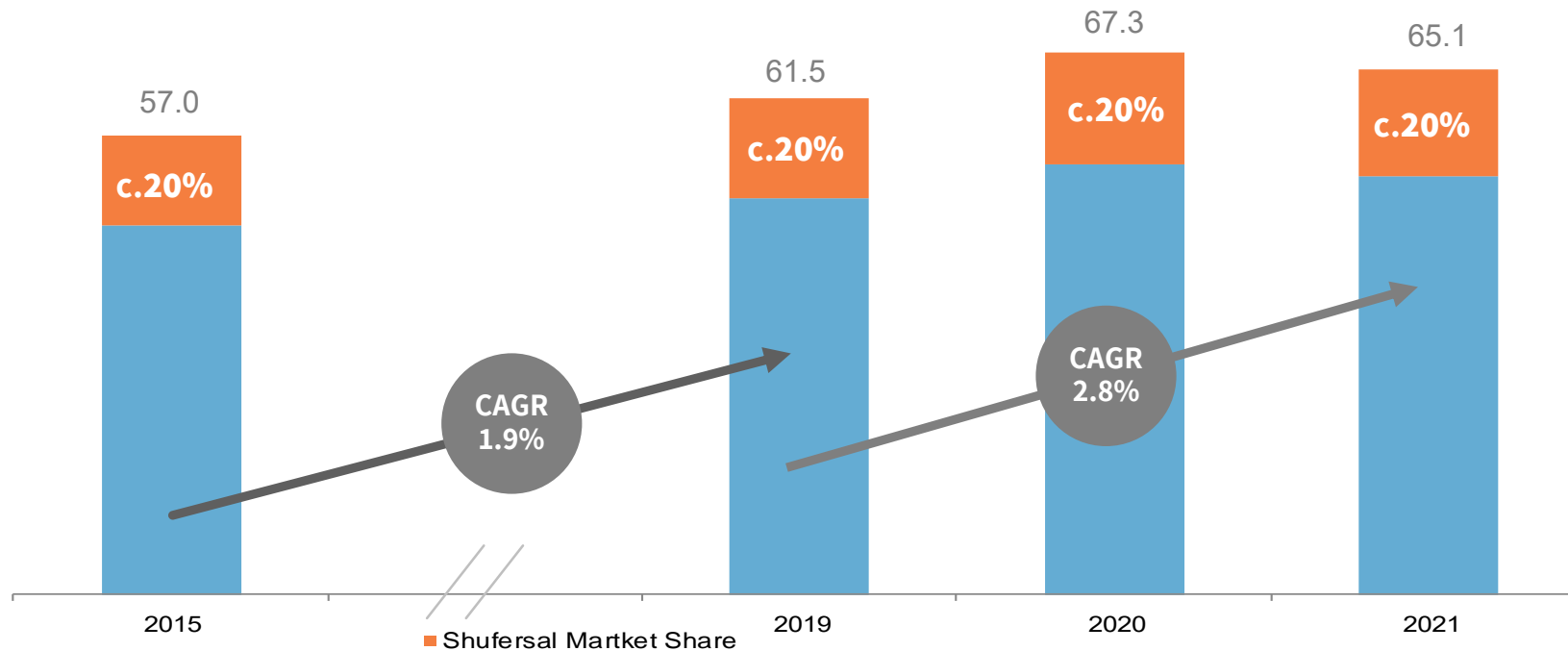


## Inflation 2021<sup>(2)</sup>



# Israel Food Retail Sector Overview

## Food Retail Market<sup>(1)</sup> (NISbn)



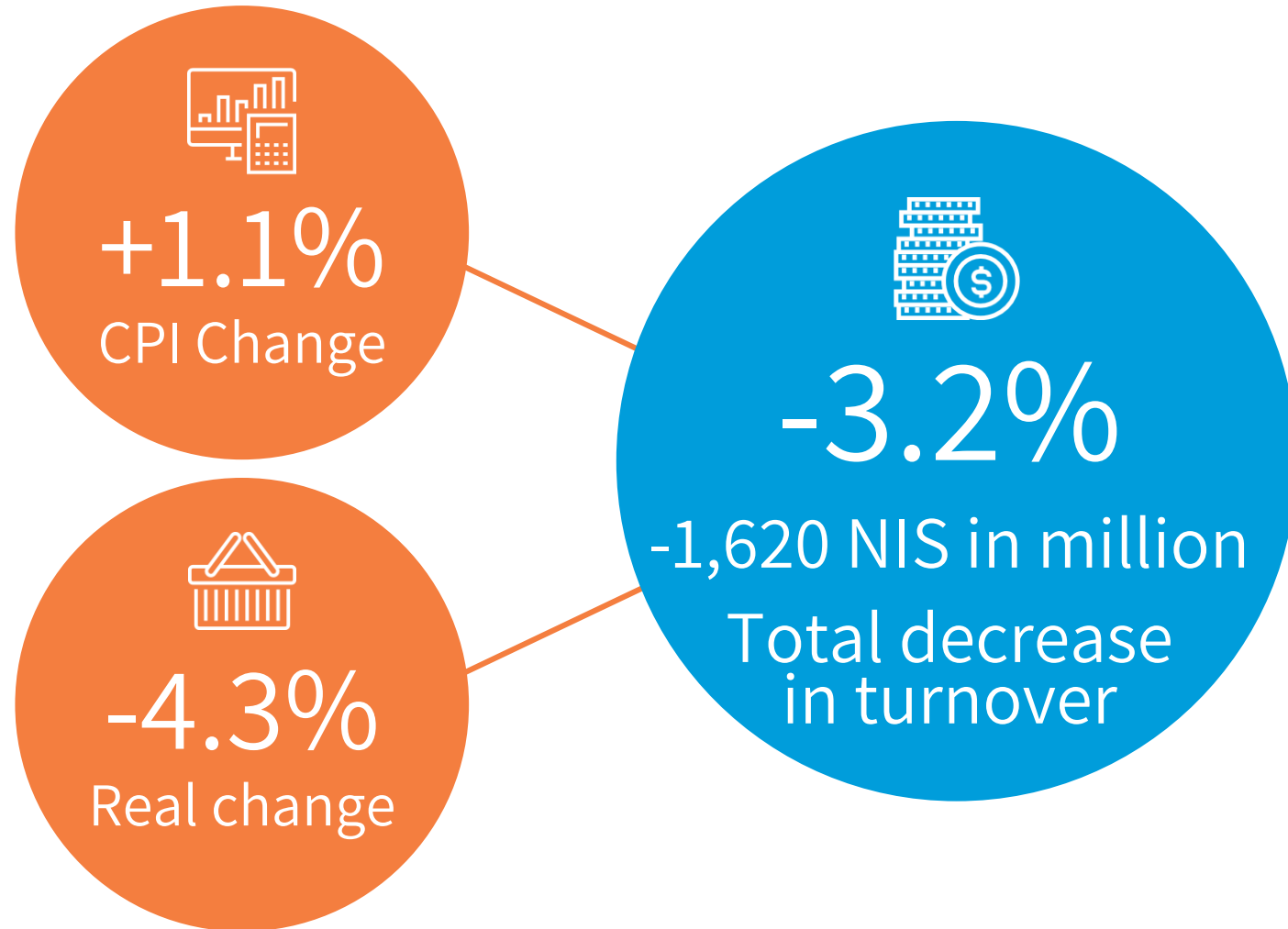
**Shufersal maintains its market share and increases sales volume over time**





# Change in sales and CPI (StoreNext Food Market)

Israel FMCG, 2021 compared to 2020



# Growth Strategy

Growing online penetration;  
and a developing marketplace offering



# Shufersal 2021 – Key Metrics



**NIS 14.8bn**  
Revenue



**10.6%**  
EBITDA Margin



**-4.8%**  
YoY Decrease  
in Same Store Sales



**c.20%**  
Food Retail Market Share<sup>(1)</sup>



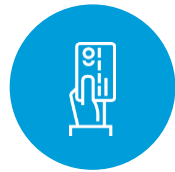
**20.5%**  
Online Share<sup>(2)</sup>



**26.6%**  
Private Label Share<sup>(2)</sup>



**305** Shufersal Stores  
**90** Be Stores<sup>(3)</sup>



**657k**  
Cardholders



**NIS 2.7B**  
Property Owned Value



**c.16,700**  
Employees



**NIS 7.3bn**<sup>(4)(5)</sup>  
Market Cap.,  
Member of TASE-35

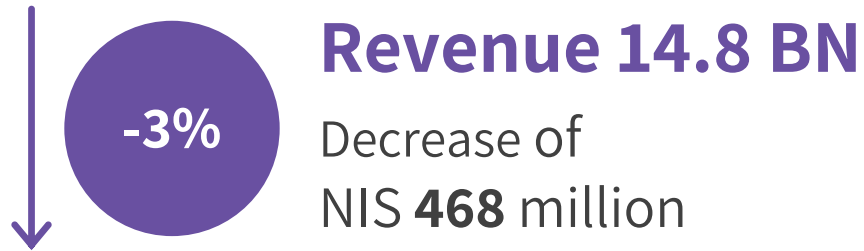


**iLAA-/Positive**<sup>(6)</sup>  
S&P Maalot Rating

(1) Based on Company's estimates as of 2021. (2) As of % of sales in Shufersal's stores & shipping centers. (3) Including Bela store. (4) As of March 12, 2022.  
(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

# Shufersal has shown tremendous growth and profitability in 2021

2021 compared to 2020



(1) Before other income & expenses.

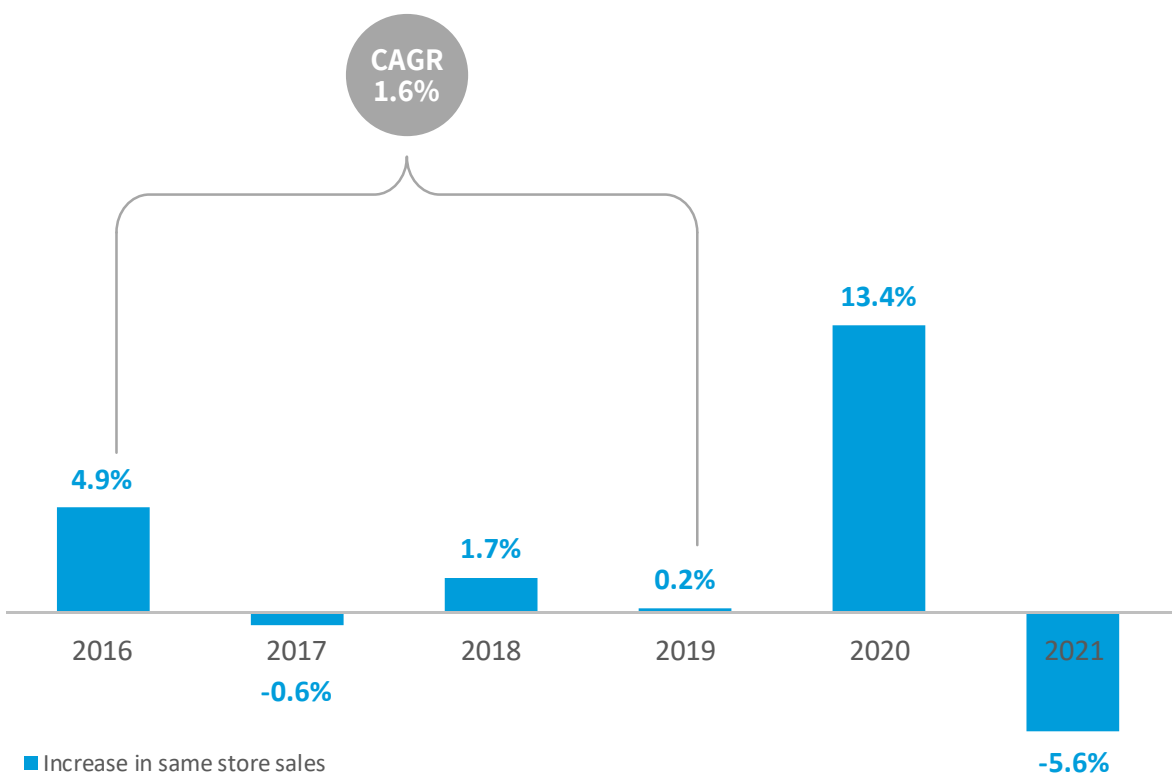
RETAIL

2021

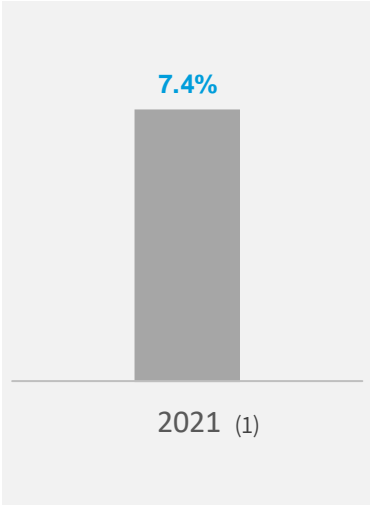


# Same store sales – Retail

Shufersal has grown in same store sales



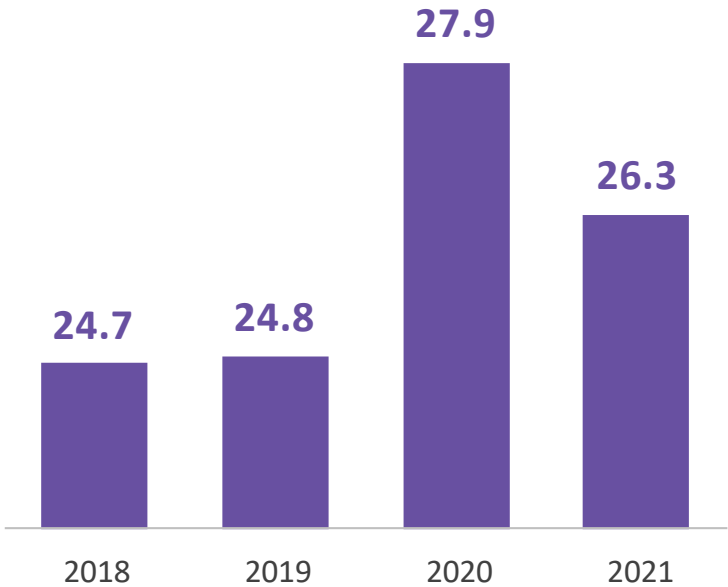
Same store growth compared 2019



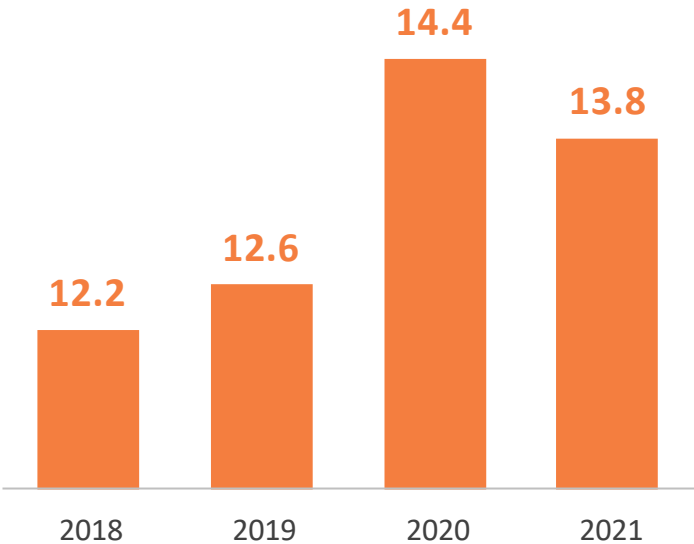
# Strong and Steady Performance Across All Retail KPIs



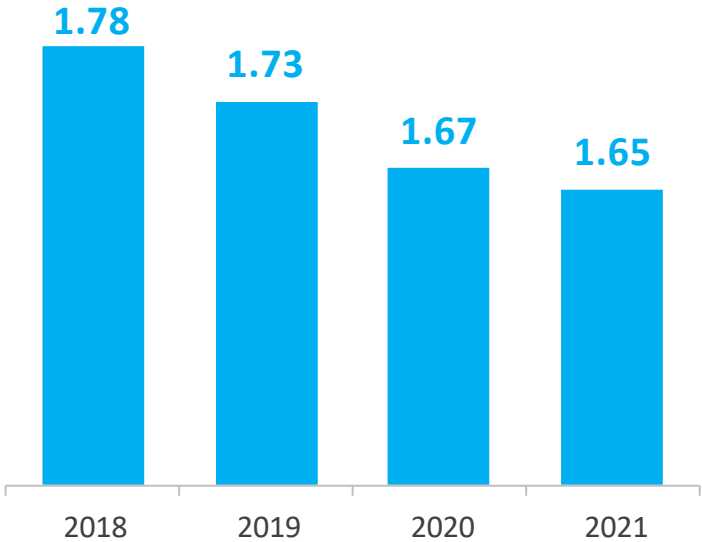
**Sales per sqm<sup>(1)</sup>**  
(K NIS)



**Total Retail Revenues<sup>(1)</sup>**  
(NISbn)



**Avg. Commercial space  
per store<sup>(2)</sup>** (K sqm)



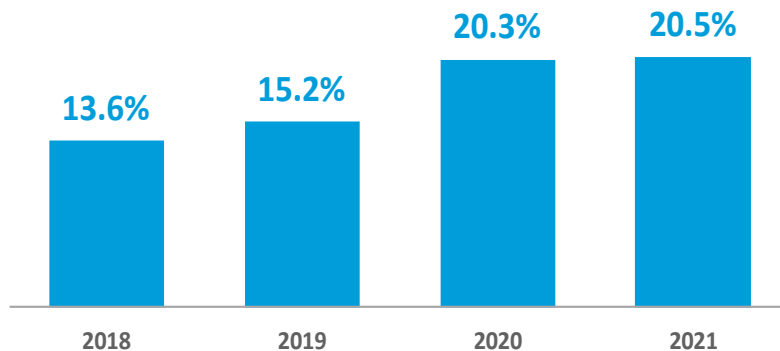
15 (1) Shufersal stores, including online sales, excluding Online Be and “Rural region”  
(2) Shufersal stores, excluding shipping centers

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

## Shufersal's growth strategy and Shufersal Online's investment policy contributed to increased sales

- **Pioneered** retail shift to online in Israel with 1<sup>st</sup> version of Shufersal Online website and application **in 2013**
- **1<sup>st</sup> 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

Online Sales as % of Sales in Shufersal Stores & shipping stores





# Shufersal Online –

## automatic shipping center (CFC)

- ✓ Improving shopping experience and level of service
- ✓ Operational excellence
- ✓ Increasing capacity More then 1B NIS
- ✓ Reducing dependence on human resources
- ✓ High availability
- ✓ Improving operating margins
- ✓ The online sales rate through the automatic delivery centers is expected to reach 25% -30% in a representative year.

The total investments in respect of the establishment of the CFC in Modi'in and Kadima are estimated, at approximately NIS 700 million

Kadima - Running process 2021

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



# Consistent Expansion of Private Label

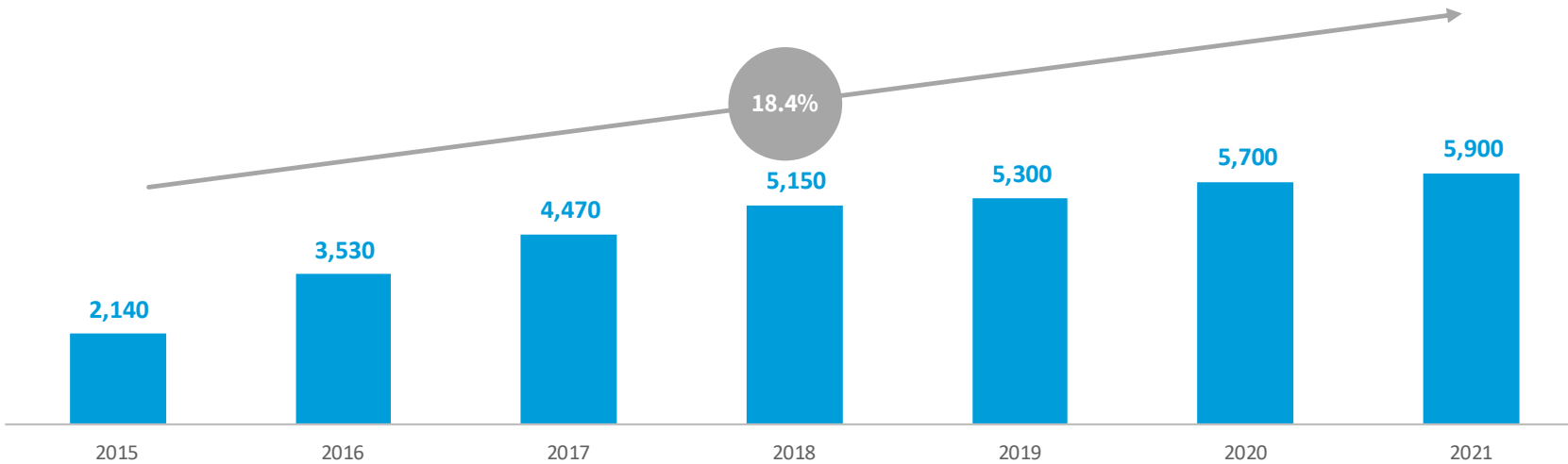


18 Note: Shufersal stores and shipping centers



# SKU's of Private Label

Shufersal's private label strategy is to increase customer value through varied quality and price



- ✓ Penetration of new categories
- ✓ Expanding the product range
- ✓ Increasing sales of existing products

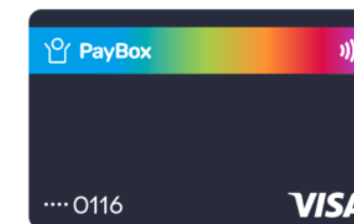
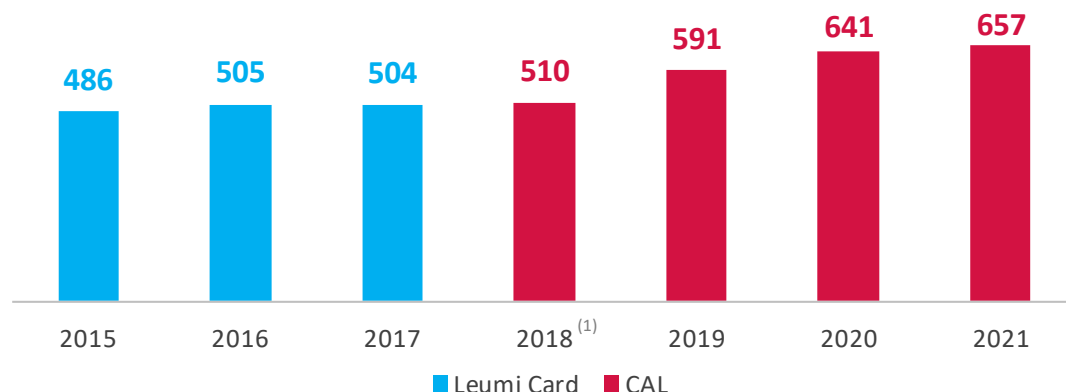


# Israel's Largest Customers Club

## Customers Club Overview

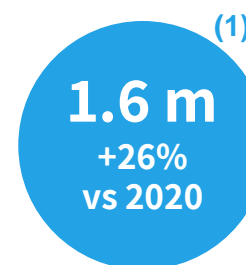
- **#1 Loyalty program** with over **2mn members**
- Launch of a new Loyalty program **"SUPREME"** which offers an improvement in terms and benefits for customers and an easy and fast connection with the PayBox digital wallet
- Most loyal customers convert into the credit card retailer club, which is **Israel's leading credit card club**
- Cards issued by leading **credit card company CAL**, leveraging Shufersal distribution network

## Evolution of Active Cards Over Time (1)

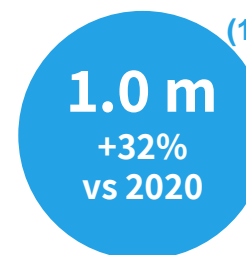


# Finance

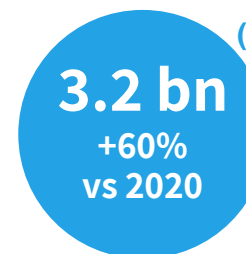
- Collaboration between Shufersal as the leading retail corporation in Israel and the third largest bank - Israel Discount Bank
- Entering the digital wallet market is part of Shufersal's growth strategy in the finance sector and implementation of the technological innovation strategy.
- The digital wallet contributes to Shufersal's positioning as a significant player in the finance sector in Israel
- Development and marketing of financial services to the general public, in collaboration with other service providers, on the basis of an open banking infrastructure



**Linked accounts**  
(as at 31.12.21)



**Active Users** (2)  
(as at 31.12.21)



**Transaction volume**  
2021

(1) Comparison with 2020 data based on Discount Bank data prior to the establishment of the partnership

(2) Active users past 90 days as of 31.12.21

# Shufersal B2B

## Tapping into Fragmented Wholesale Market

### Cash & Carry

- **Opened 1<sup>st</sup> 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 3<sup>rd</sup> 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

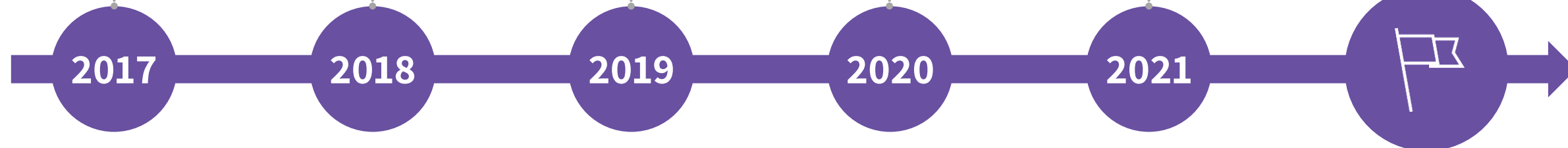
Be

2021





# 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 4<sup>th</sup> quarter of 2020**

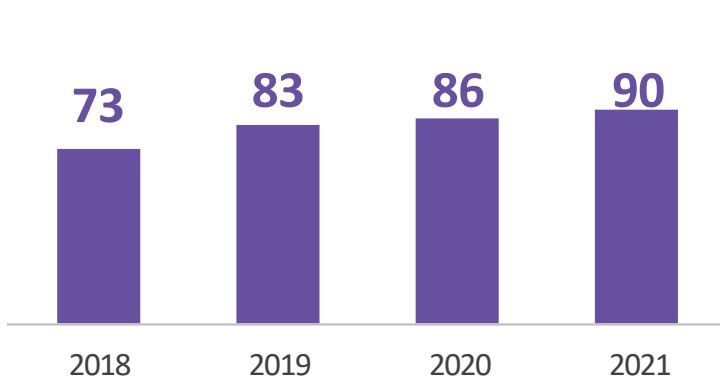
- Add thousands of items to the "Be" online range using "Be Long shipping center"
- **Transition to profit**

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

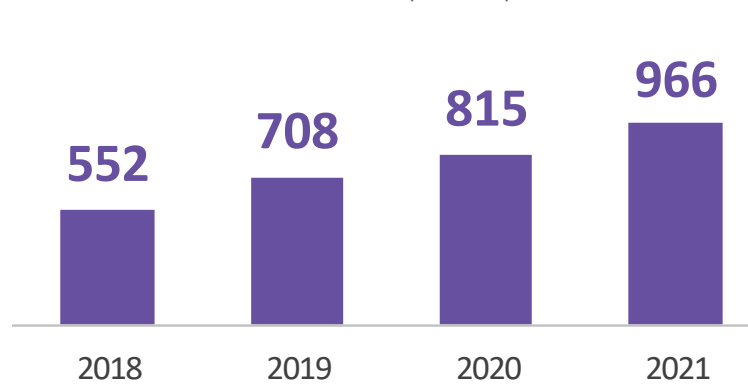
# Be – Expansion into Pharma, Cosmetic and Toiletry (Cont'd)

## Rapidly Growing Segment

Number of Stores<sup>(1)</sup>

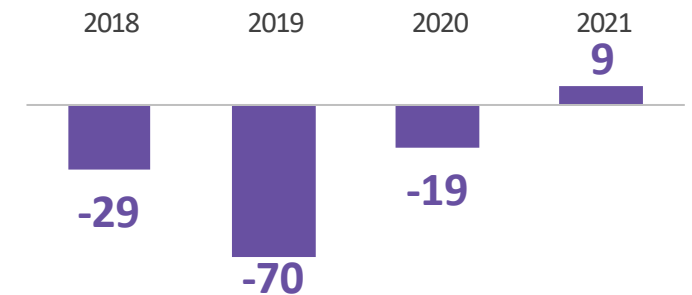


Revenue (NISmn)



2021 same store sales growth of 10.6%

Operating Profit (NISmn)<sup>(2)</sup>



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



REAL  
ESTATE



# About

Shufersal Real Estate Ltd. is a wholly owned subsidiary of Shufersal Ltd.  
The Company was established in April 2013.

**NIS 2.7 billion**

Value of investment  
property

**231,000 sq m.**

Yielding areas  
(of which, 38,000 sq m.  
are parking lots)

**NIS 184 million**

The Company's  
annual income

**140 Customers**

(Excluding Shufersal  
branches)

**NIS 155 million**

EBITDA

**NIS 113 million**

FFO

**160,000 sq m.**

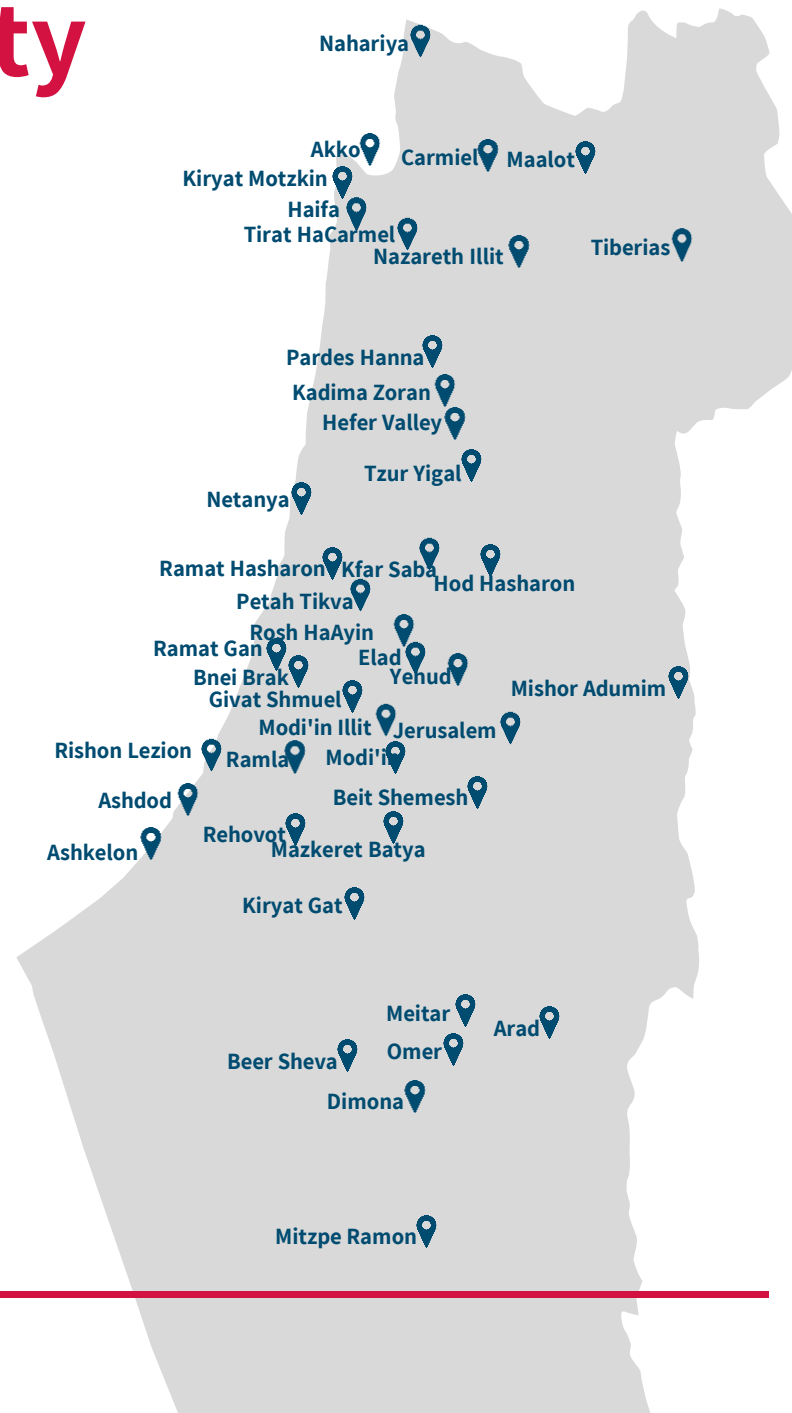
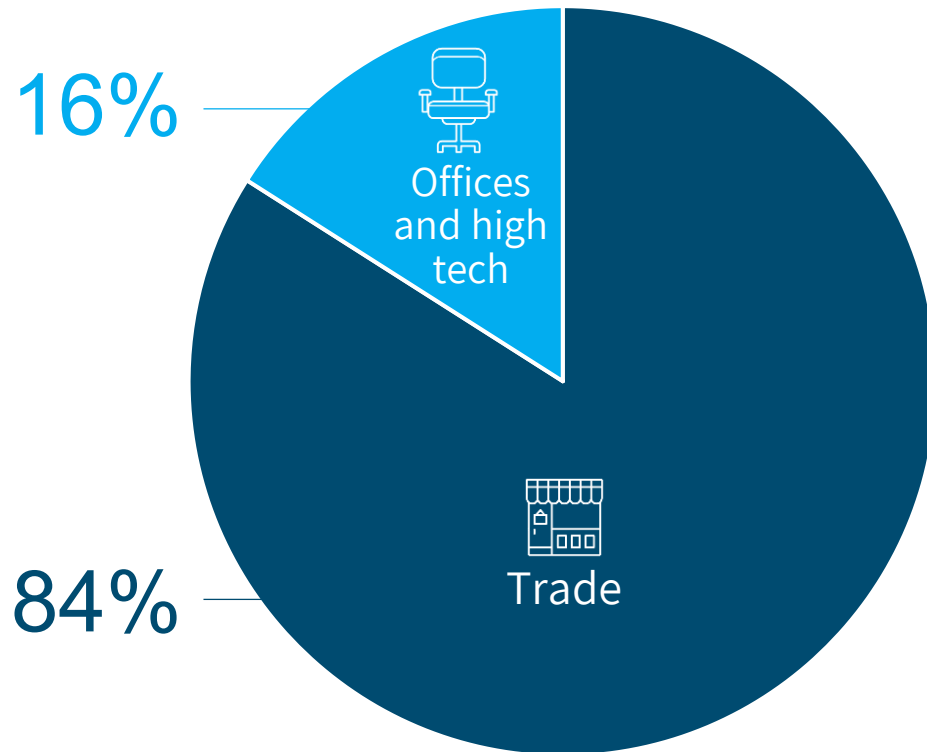
Available building rights  
(gross area including  
parking lots)

**\*6.87%**

Weighted rate  
of return

# Main areas of activity and national deployment

Distribution of income



Wide  
geographical  
and sectoral  
dispersal

98%  
Percentage  
of  
occupancy

44  
Cities  
across  
Israel



# The Company's Customers



# Property at Occupancy Stage | Curdani



Jerusalem Boulevard, Kiryat Motzkin



**14,000** sq m. (including parking lot)  
of which **11,500** sq m. is built-up area



Joint venture  
Company's share –  
**50.1%** of the property



# Properties Under Development | Ra'anana Zarhin



Zarhin Street, Ra'anana



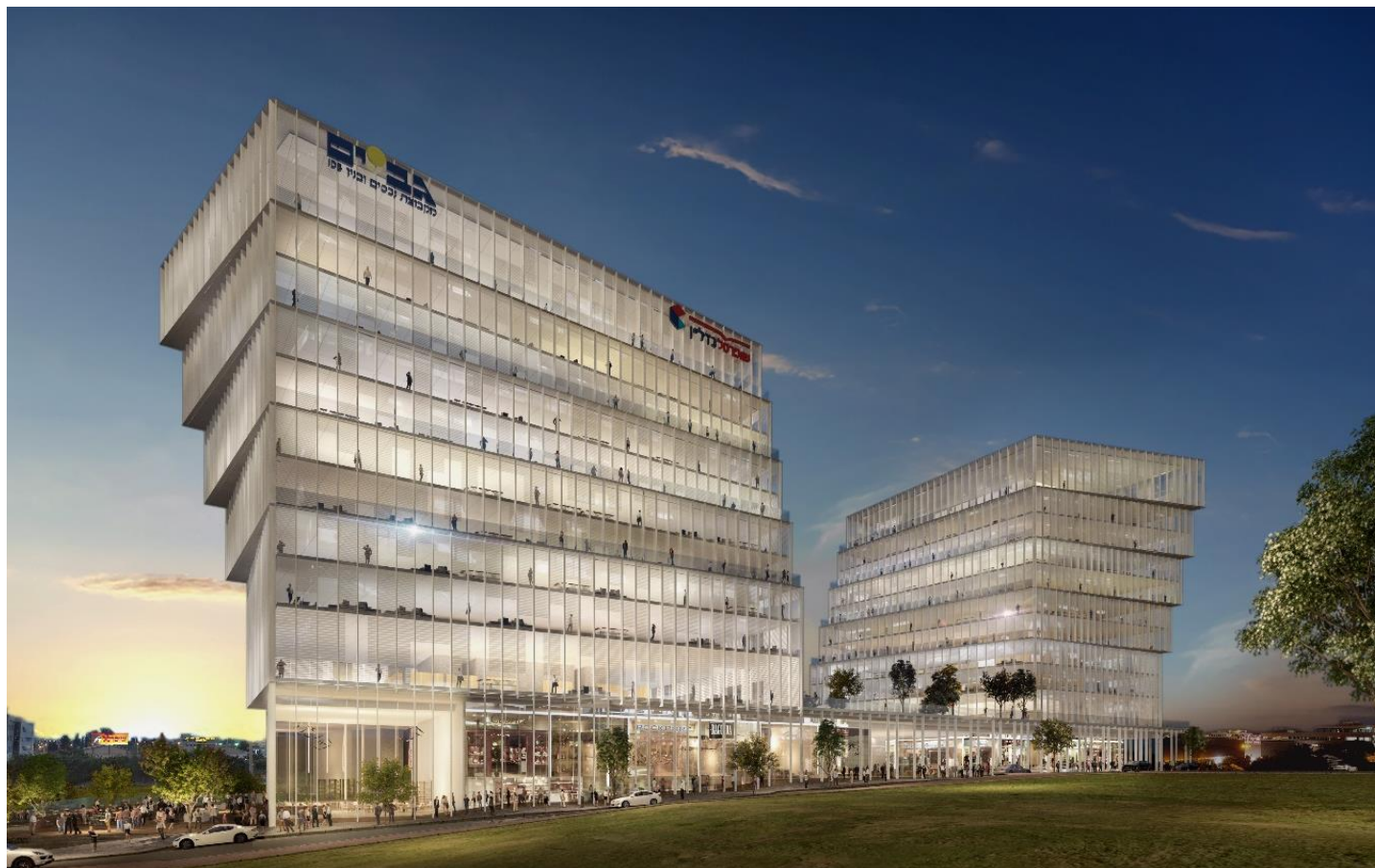
sq m. **72,600**  
of which **40,000** sq m. is above ground



Combination transaction  
Company's share - **30.5%**



Estimated date of completion  
**Q3 2023**





# Choice Available Land

## Mitzpe Sapir



Bazelet Street, Tzur Yigal



**25,000** sq m.  
of which **20,000** sq m. is  
above ground



## Talpiot



Pierre Koenig Street, Jerusalem



**45,000** sq m.  
of which **27,000** sq m. is  
above ground



## Kfar Saba Junction Plot 2004



Derech Hasharon and Netiv  
Ha'avot Junction, Kfar Saba



**45,000** sq m.  
of which **27,000** sq m. is  
above ground

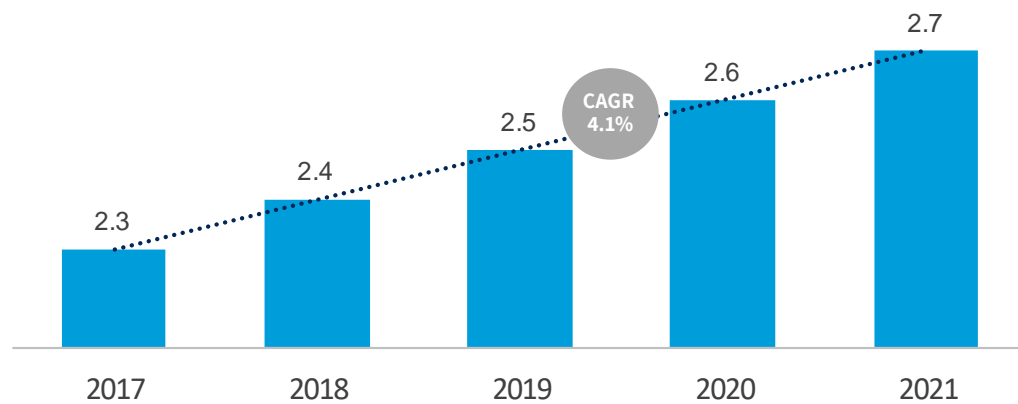


# Shufersal Real Estate

Improving group's financial profile

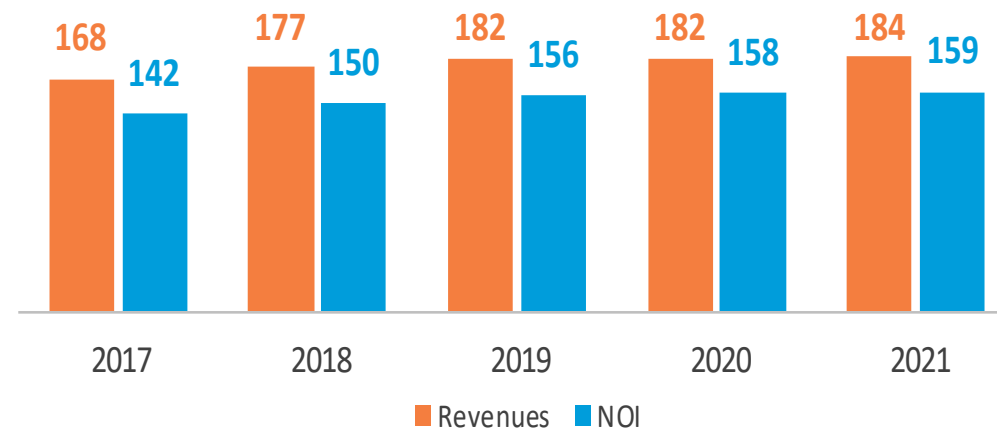
## Real estate enhancement

Real estate value in NIS billion



## Key Financials (NISmn)

Consistent revenue and profit stream



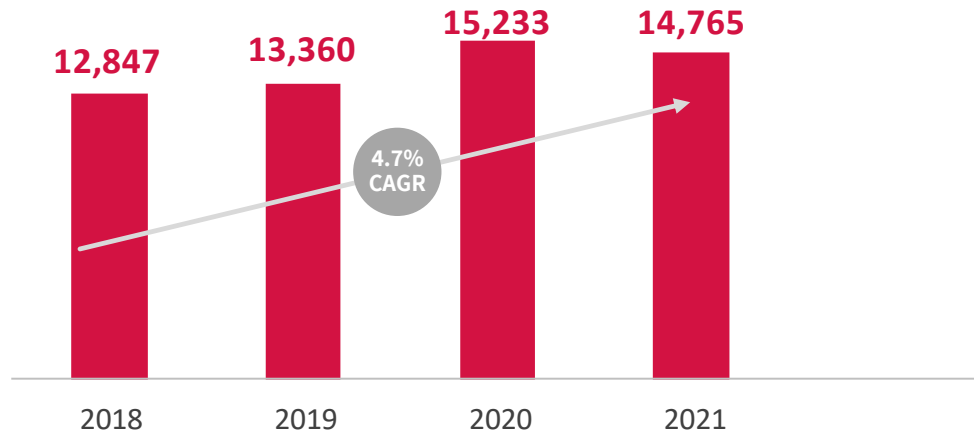


FINANCIALS

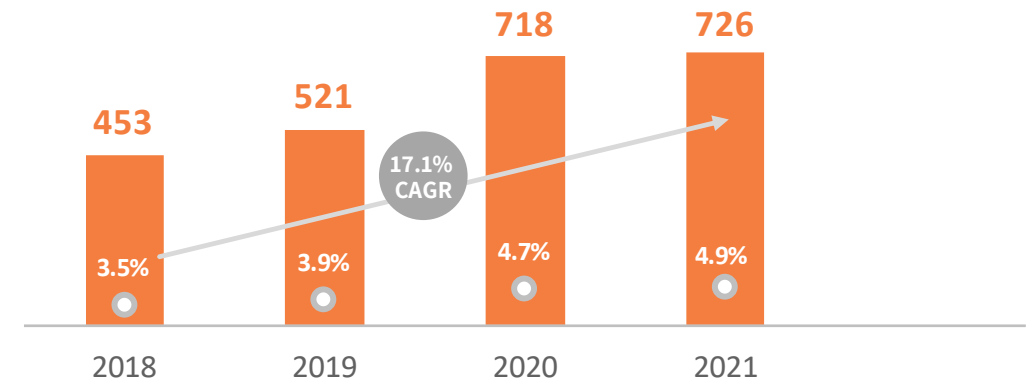
2021

# Robust Financial Performance

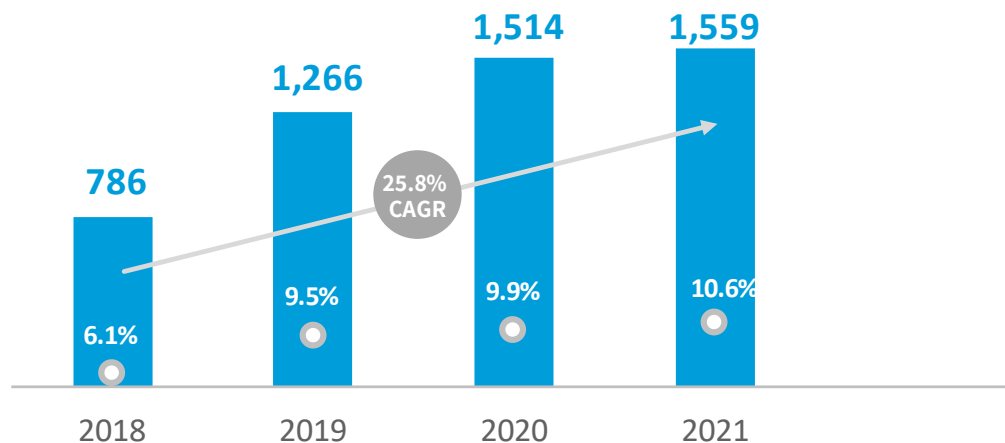
**Revenue** (NISmn)



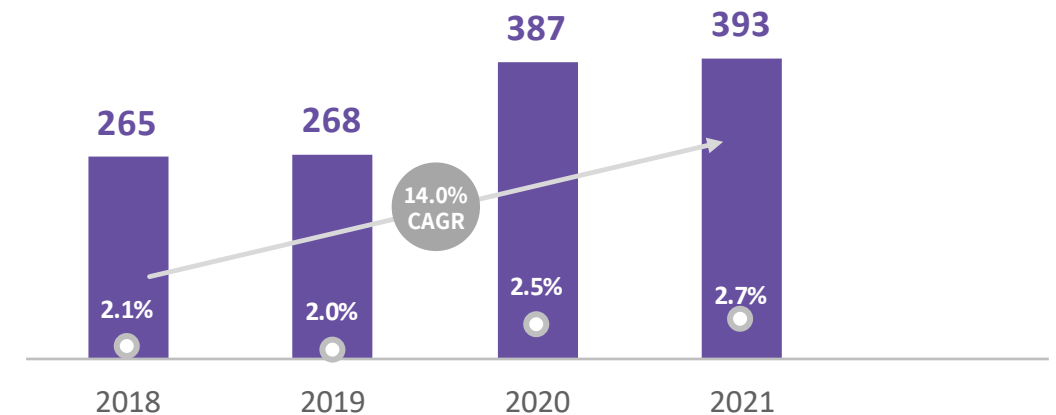
**Operating Profit<sup>(1)</sup>** (NISmn)



**EBITDA<sup>(2)</sup>** (NISmn)



**Net Income** (NISmn)

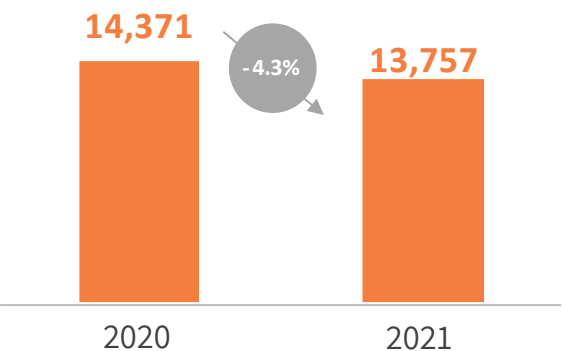


# Consistently Improving Profitability Across Segments

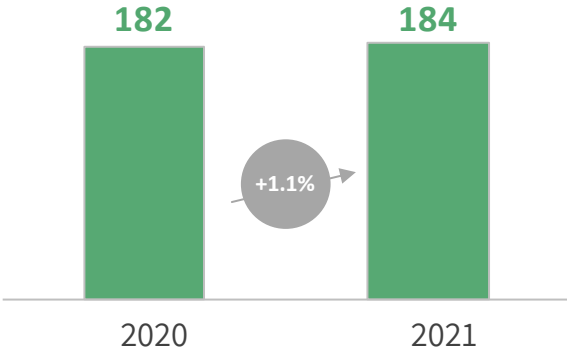


Retail

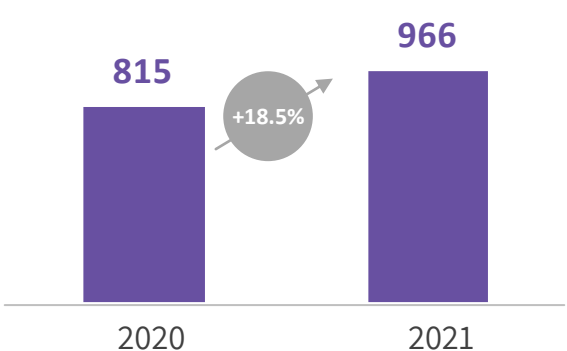
Revenue  
(NISmn)



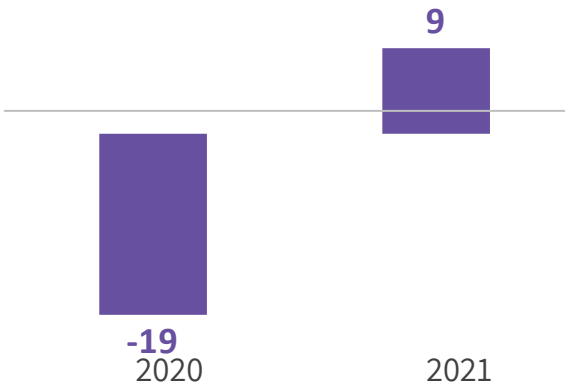
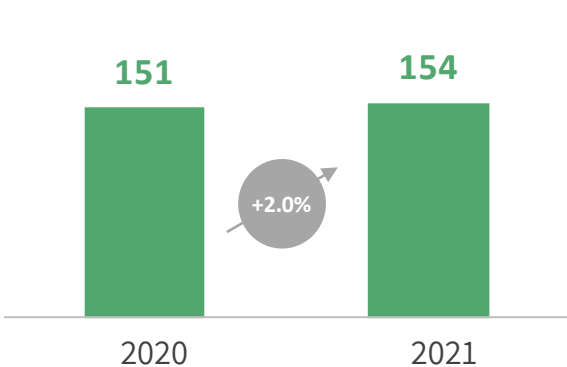
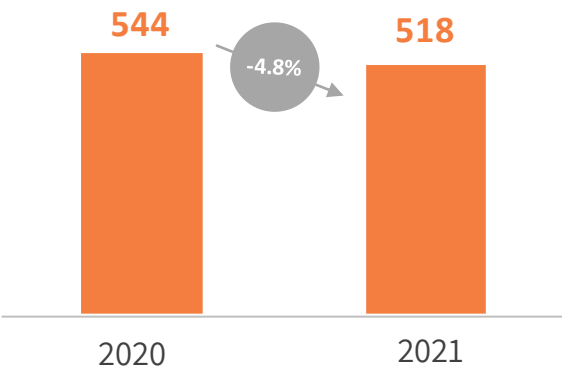
Real Estate



Be

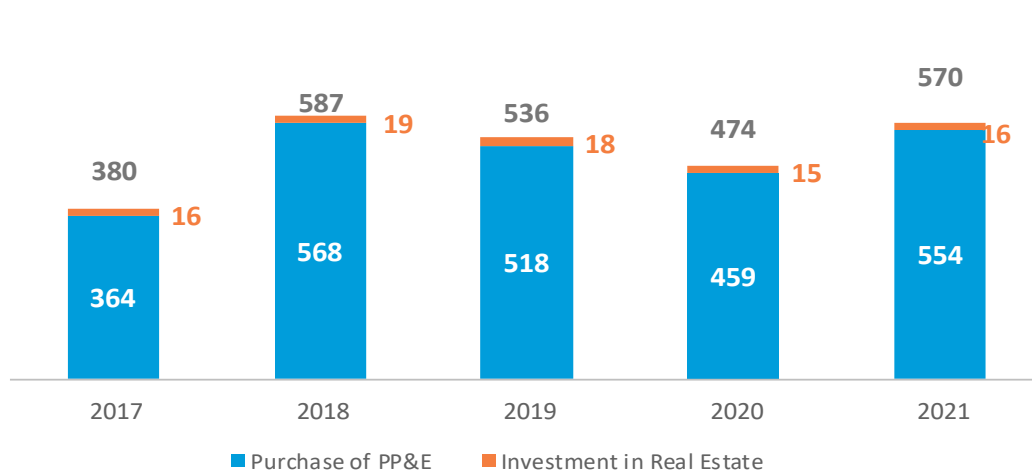


Operating Profit<sup>(1)</sup>  
(NISmn)

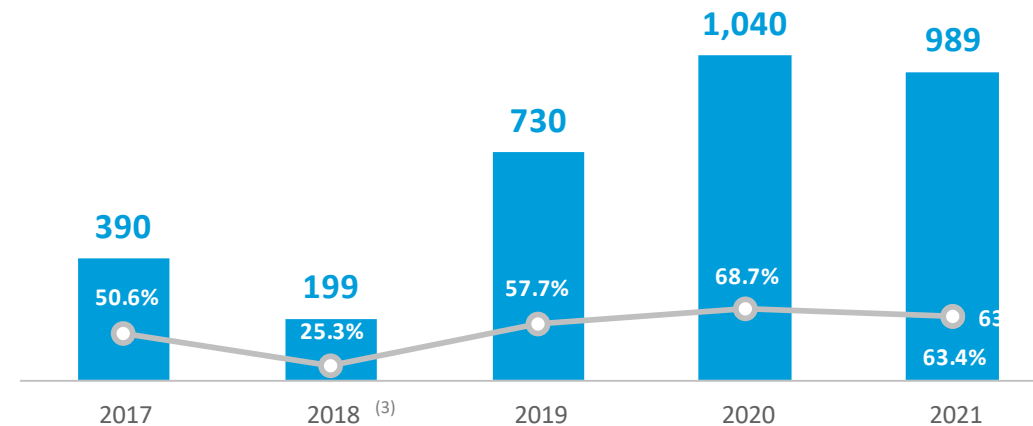


# Cash Flow Evolution

## Capex (NISmn)



## Free Cash Flow<sup>(1)</sup> and Cash Conversion<sup>(2)</sup> (NISmn)



## Commentary

- Disciplined capex policy
- c. NIS 700 mn total investment in new automated logistic centers spread over 4 years from 2018<sup>(4)</sup>
- 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.

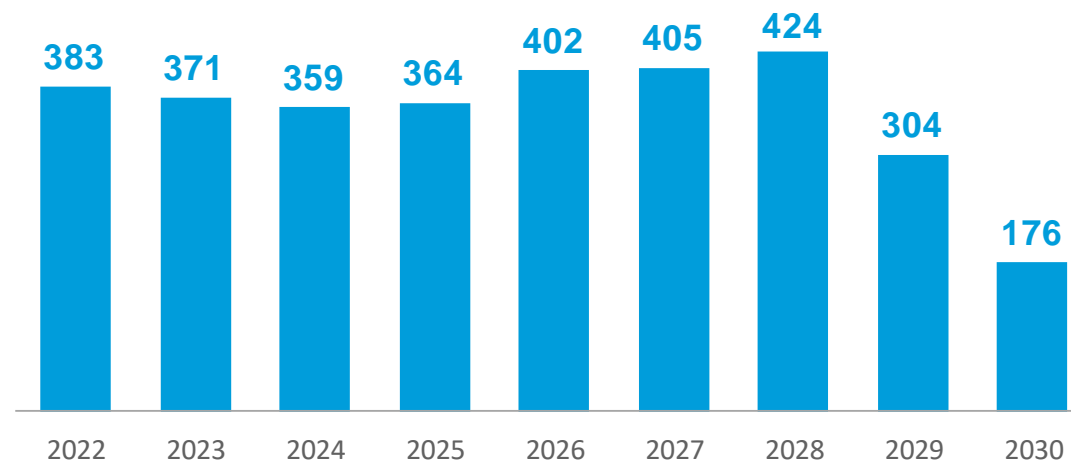
(4) Without capitalization of credit expenses

# Exceptional Liquidity and Balanced Debt Profile

## Cap Table

| (NIS in millions)  | 2021         |
|--|--------------|
| Non CPI Linked Bonds                                     | 1,749        |
| CPI Linked Bonds   | 975          |
| <b>Total Debt</b>  | <b>2,724</b> |
| Cash & ST Investments                                    | (1,286)      |
| <b>Net Debt</b>  | <b>1,438</b> |
| <b>LTM Net Leverage exc. IFRS-16 Lease<sup>(1)</sup></b> |              |
| Lease Liability  | 4,396        |
| LTM Net Leverage inc. IFRS-16 Lease                      | 14.8x        |
| Undrawn RCF  | <b>300</b>   |
| <b>Total Liquidity</b>                                   | <b>1,586</b> |

## Future Bond Repayments<sup>(2)</sup> (NISmn)



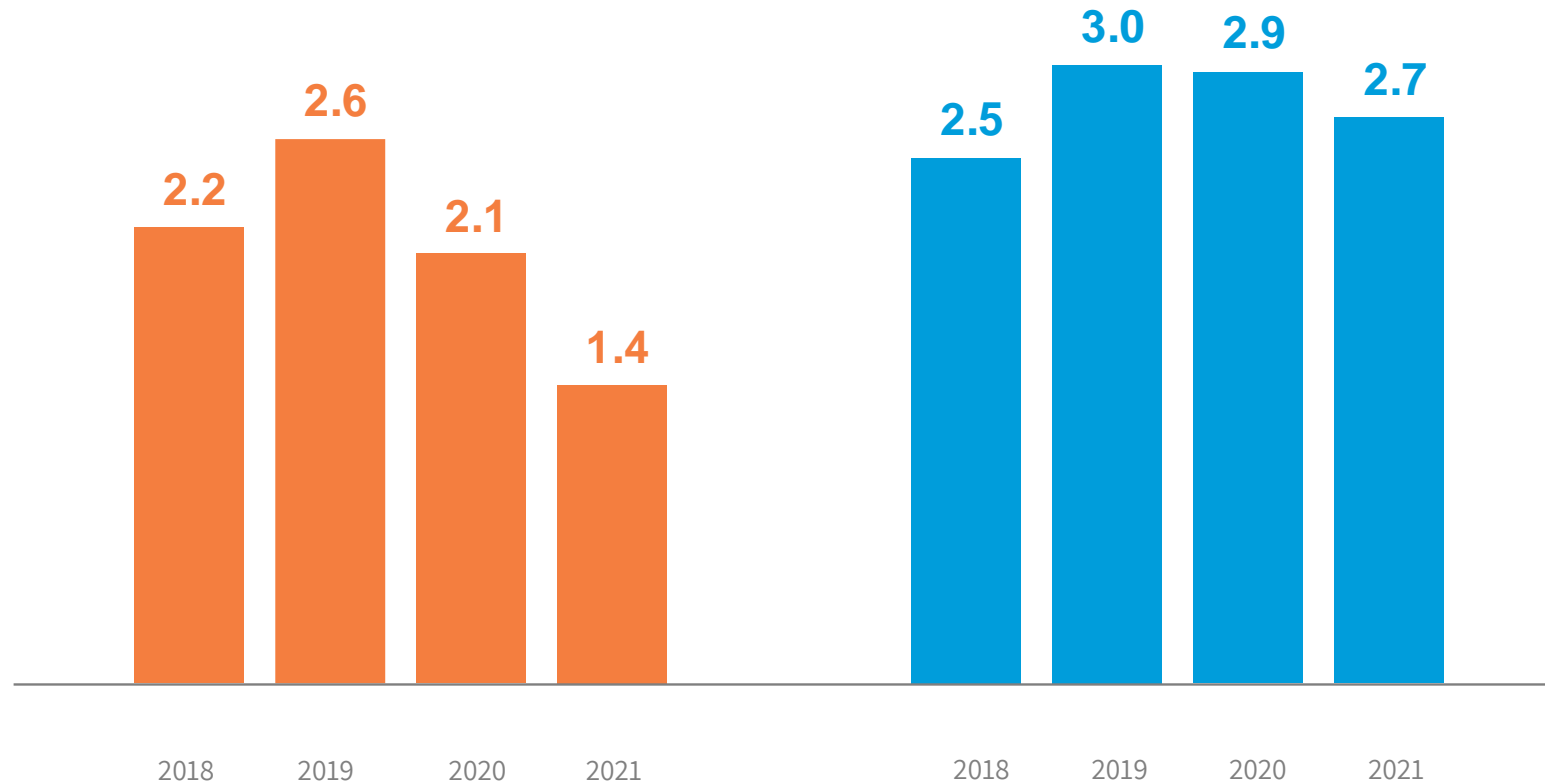
- Well staggered debt maturity profile
- iIAA-/ Positive credit rating by S&P Maalot
- 100% unencumbered real estate assets

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

(2) Including interest.



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



Note: excluding IFRS-16 liability

- Liabilities to banking corporations, debentures, including interest payable
- Excluding cash and cash equivalents, short term deposits and marketable securities.

# Appendix



# Consolidated Income Statement

| (NISmn)                      | 2018          | 2019 <sup>(1)</sup> | 2020          | 2021          |
|------------------------------|---------------|---------------------|---------------|---------------|
| <b>Revenues</b>              | <b>12,847</b> | <b>13,360</b>       | <b>15,233</b> | <b>14,765</b> |
| <i>growth (%)</i>            | <i>8.4%</i>   | <i>4.0%</i>         | <i>14.0%</i>  | <i>-3.1%</i>  |
| <b>Gross Profit</b>          | <b>3,441</b>  | <b>3,609</b>        | <b>4,043</b>  | <b>4,021</b>  |
| <i>margin (%)</i>            | <i>26.8%</i>  | <i>27.0%</i>        | <i>26.5%</i>  | <i>27.2%</i>  |
| Operating expenses           | (2,988)       | (3,088)             | (3,325)       | (3,295)       |
| <b>Operating Profit</b>      | <b>453</b>    | <b>521</b>          | <b>718</b>    | <b>726</b>    |
| <i>margin (%)</i>            | <i>3.5%</i>   | <i>3.9%</i>         | <i>4.7%</i>   | <i>4.9%</i>   |
| Other Income (Expenses), Net | 16            | 36                  | 27            | 53            |
| Financing expenses, net      | (116)         | (259)               | (232)         | (245)         |
| <b>Net Income</b>            | <b>265</b>    | <b>268</b>          | <b>387</b>    | <b>393</b>    |
| <i>margin (%)</i>            | <i>2.1%</i>   | <i>2.0%</i>         | <i>2.5%</i>   | <i>2.7%</i>   |
| <b>EBITDA</b>                | <b>786</b>    | <b>1,266</b>        | <b>1,514</b>  | <b>1,559</b>  |
| <i>margin (%)</i>            | <i>6.1%</i>   | <i>9.5%</i>         | <i>9.9%</i>   | <i>10.6%</i>  |





# Balance sheet (assets)

| (NISmn)   | 31.12.2020    | 31.12.2021    |
|---|---------------|---------------|
| Cash and cash equivalents, Short-term deposits  | 880           | 1,286         |
| Trade receivables   | 1,494         | 1,441         |
| Other receivables & Other investments   | 147           | 175           |
| Inventory   | 939           | 914           |
| <b>Total Current Assets</b>   | <b>3,460</b>  | <b>3,816</b>  |
| Investments in associate  | 89            | 206           |
| Other investments   | 87            | 66            |
| Property, plant and equipment   | 3,186         | 3,397         |
| Intangible assets and deferred expenses,<br>Receivables and debit balances & Deferred taxes | 1,559         | 1,605         |
| Investment property   | 792           | 878           |
| Right-of-use assets   | 3,852         | 4,313         |
| <b>Total Assets</b>   | <b>13,025</b> | <b>14,281</b> |





# Balance sheet (liabilities and equity)

| (NISmn)  | 31.12.2020    | 31.12.2021    |
|--|---------------|---------------|
| <b>Current liabilities</b>                                 |               |               |
| Current maturities in respect of bonds & Credit from banks | 267           | 302           |
| Current maturities of lease liabilities                    | 360           | 392           |
| Trade payables   | 2,333         | 2,224         |
| Other payables and Provisions                              | 1,148         | 1,171         |
| <b>Total Current liabilities</b>                           | <b>4,108</b>  | <b>4,089</b>  |
| <b>Non - current liabilities</b>                           |               |               |
| Bonds  | 2,682         | 2,422         |
| Lease liabilities  | 3,544         | 4,004         |
| Employee benefits, net & Other liabilities                 | 320           | 423           |
| Deferred taxes   | 136           | 153           |
| <b>Total non-current liabilities</b>                       | <b>6,682</b>  | <b>7,002</b>  |
| <b>Equity</b>  | <b>2,235</b>  | <b>3,190</b>  |
| <b>Total liabilities and equity</b>                        | <b>13,025</b> | <b>14,281</b> |



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