Company Presentation Q1 2022

May 2022





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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



Three main segments⁽¹⁾:

- **Retail** c-91% of sales
 - Retail stores
 - Online
 - Private label
 - Finance
 - B2B
- **Be** (Pharma) c-8% of sales
- **Real Estate** (commercial properties incl. Shufersal stores) c-1% of sales



100% free float

experienced management team



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

Developing marketplace offering



Shufersal – Major Anchors



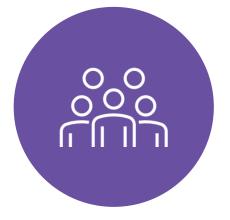




Customer Base



Financial Stability



Organizational & Human Capital



Shufersal Group

Discount format





















Growth engines













Urban format













Anchors



Additional activities









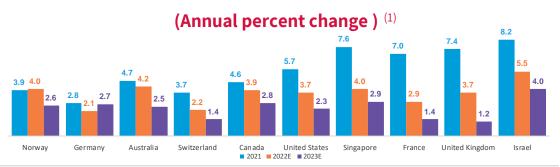




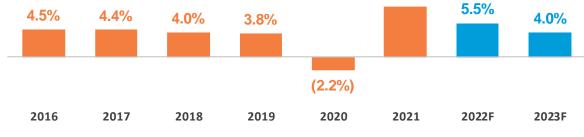


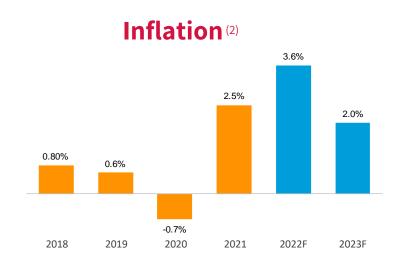
Favorable Macro-Growth rates in Israel are among the highest worldwide



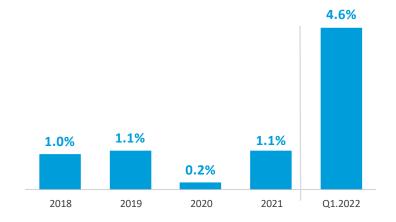








Inflation- Food Retail Market (3)

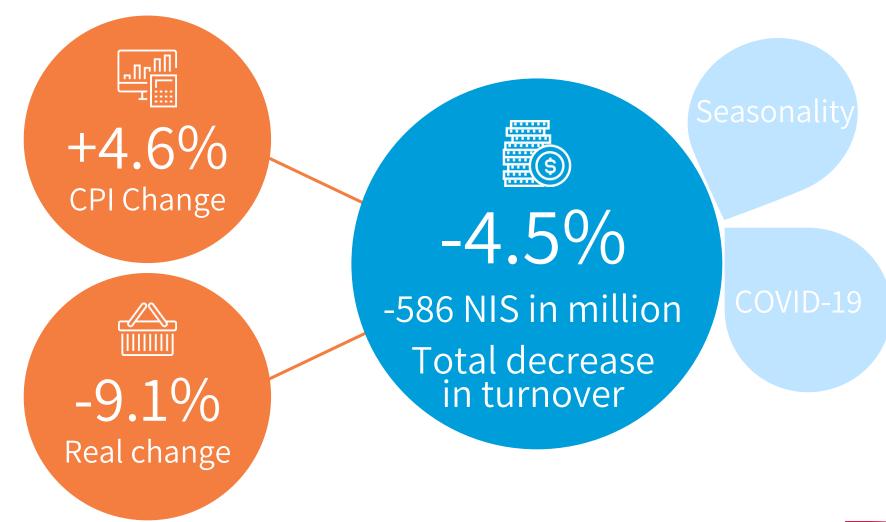


• Standard of living has consistently improved in recent years, fueling the growth of the retail market



Change in sales and CPI (StoreNext Food Market)

Israel FMCG, Q1.2022 compared to Q1.2021





Growth Strategy

Growing online penetration; and a developing marketplace offering





Shufersal Q1 2022 – Key Metrics







-8.4%

QoQ Decrease
in Same Store Sales













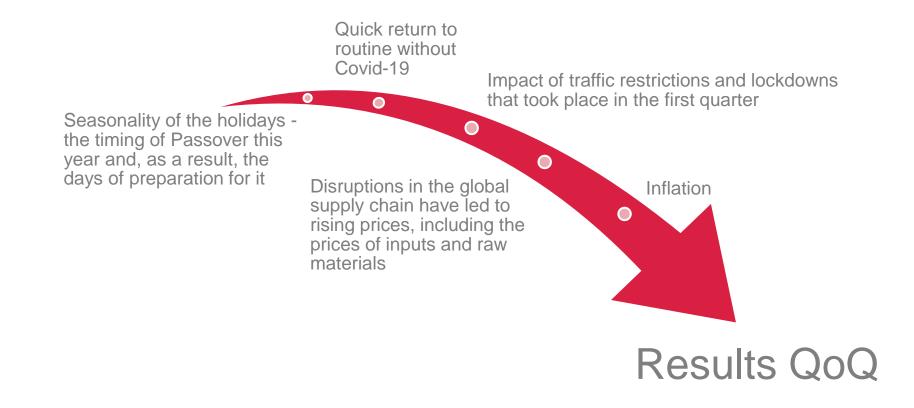








Quarterly effects

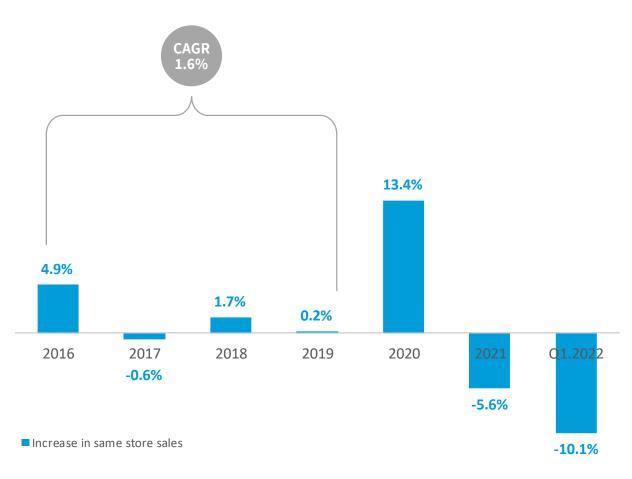


RETAIL

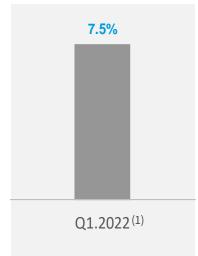




Same store sales – Retail



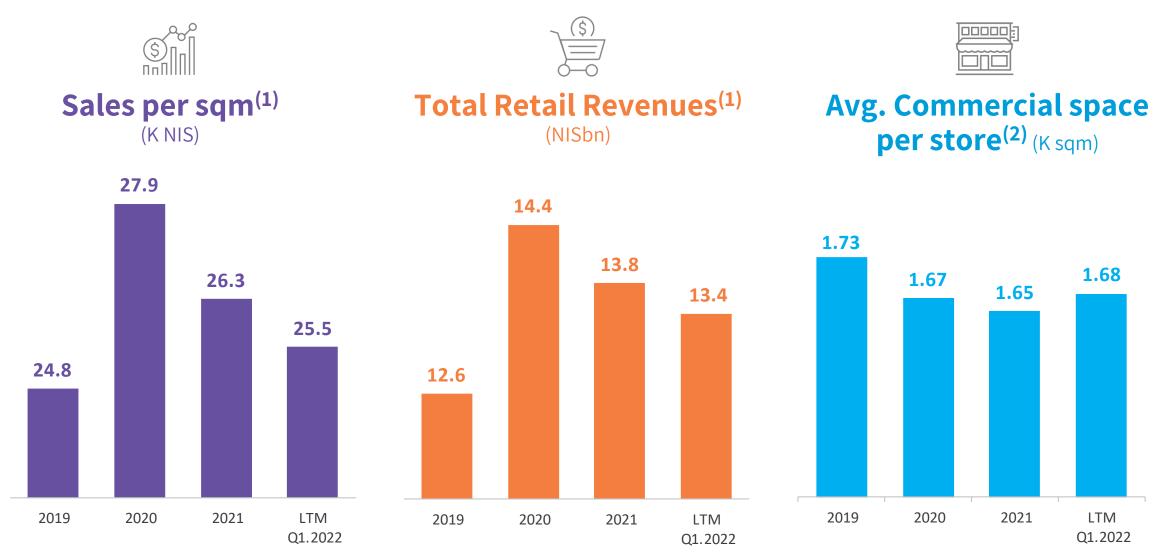
Same store growth compared Q1.2019





(1) Vs 2019

Strong and Steady Performance Across All Retail KPIs



⁽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 1st version of Shufersal Online website and application in 2013

1st mover advantage allows to maintain clear leadership

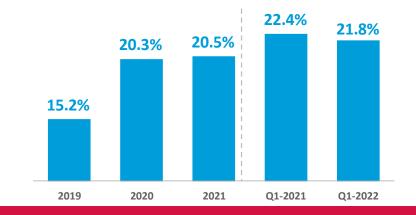
Nationwide footprint, backed by robust logistic infrastructure covering 100% of the population

More diversified offering than physical stores

- Additional non-food items (e.g. furniture, appliances, outdoor)
- "Be" pharma and cosmetic products

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





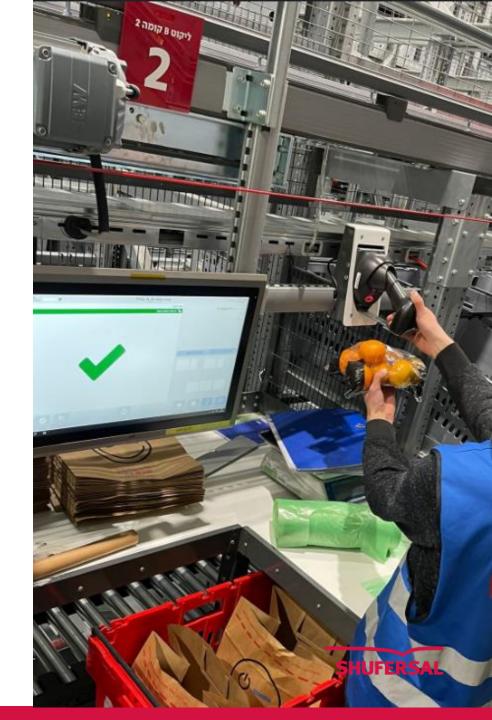
Shufersal Online -

Automatic shipping center (CFC)



The online sales rate through the automatic delivery centers is expected to reach 25% -30% in a representative year.

Kadima – Completed ramp-up by the end of Q1.2022. Fully operational from April 2022. Modi'in - Expected to be in running process at the end of 2022



Consistent Expansion of Private Label





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
- In April 2022, PayBox expanded its digital wallet services by contracting with Cal to issue a digital credit card to widget users.







Shufersal B2B Tapping into Fragmented Wholesale Market

Cash & Carry

- Opened 1st store in 2018, targeting urban minimarkets, 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



Be





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

Rapidly Growing Segment







Transition to operating profit in Q1.2022

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
 - Covid-19 antigen rapid tests at BE stores
- Cross-buy on Shufersal shopping floors
- Be private label





REAL ESTATE









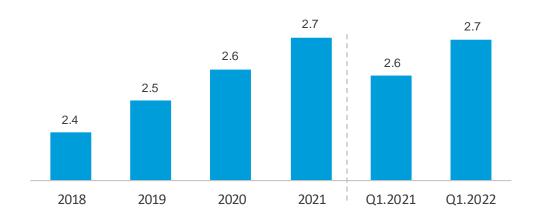


Shufersal Real Estate

Improving group's financial profile

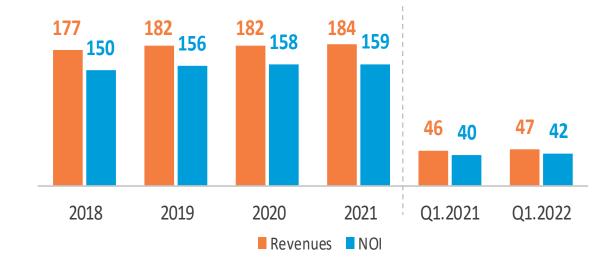
Real estate enhancement

Real estate value in NIS billion



Key Financials (NISmn)

Consistent revenue and profit stream





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



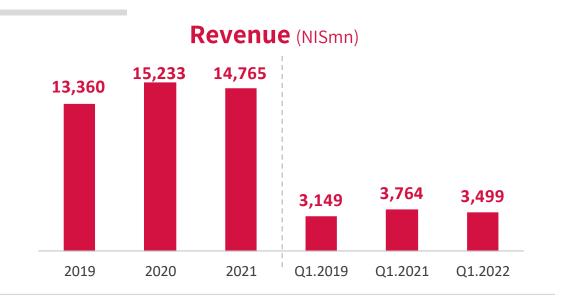


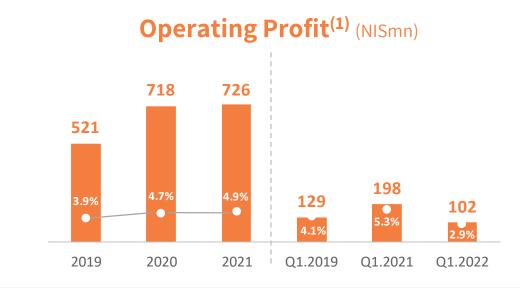
FINANCIALS

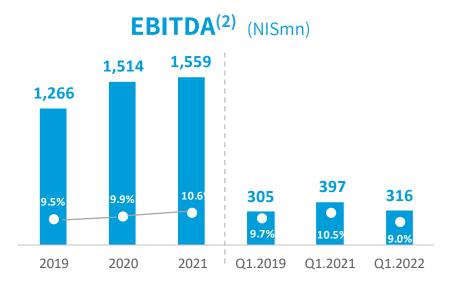


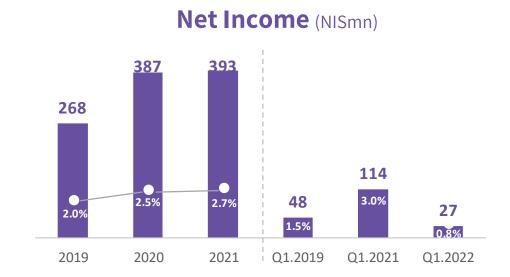


Robust Financial Performance











⁽¹⁾ Before other income & expenses.

Robust Financial Performance Segments

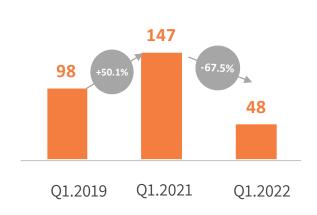
Revenue (NISmn)

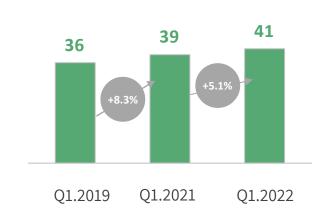


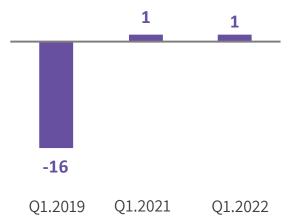




Operating Profit⁽¹⁾
(NISmn)

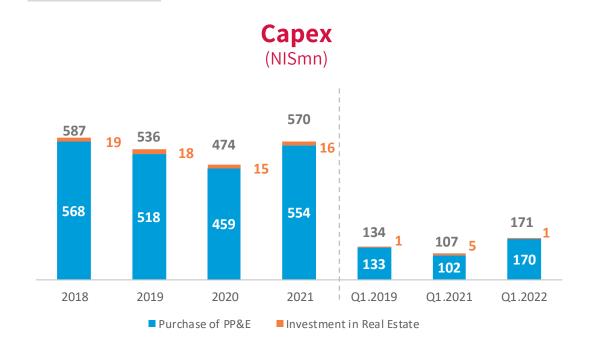


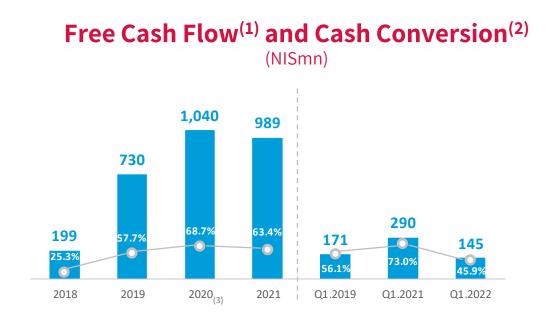






Cash Flow Evolution





Commentary

- Disciplined capex policy
- c. NIS 700 mn 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

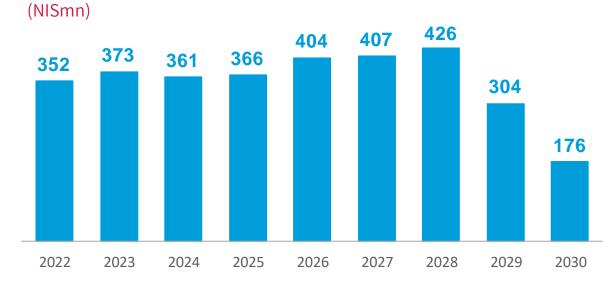


Exceptional Liquidity and Balanced Debt Profile

Cap Table

(NIS in millions) Q1.2022	
Non CPI Linked Bonds	1,732
CPI Linked Bonds	997
Total Debt	2,729
Cash & ST Investments	(1,384)
Net Debt	1,345
LTM Net Leverage exc. IFRS-16 Lease ⁽¹⁾	
Lease Liability	4,390
LTM Net Leverage inc. IFRS-16 Lease	18.7x
Undrawn RCF	300
Total Liquidity	1,684

Future Bond Repayments⁽²⁾



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

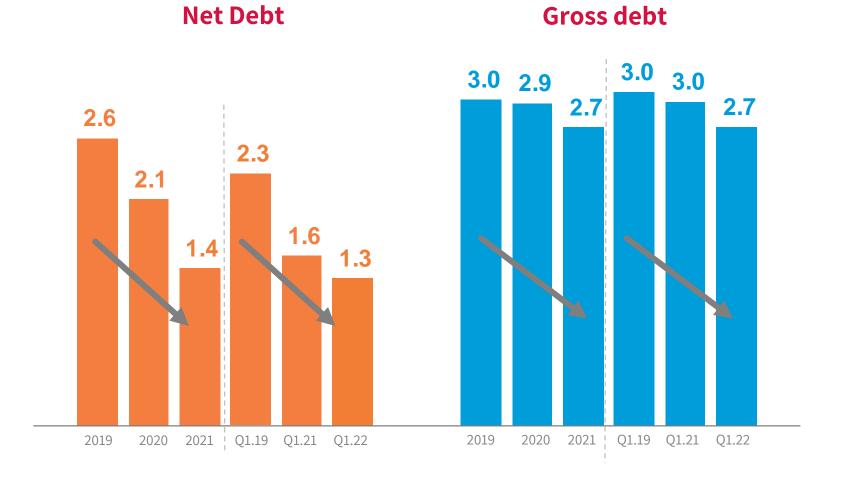


⁽¹⁾ Net Debt / LTM EBITDA. EBITDA exc. IFRS-16 was calculated by subtracting leased asset amortization and leased liability interest from post IFRS-16 EBIDTA.

⁽²⁾ Including interest.

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)	Q1 2019 ⁽¹⁾	Q1 2020	Q1 2021	Q1 2022
Revenues	3,149	3,731	3,764	3,499
growth (%)	-0.6%	18.5%	0.9%	-7.0%
Gross Profit	860	999	1,018	925
margin (%)	27.3%	26.8%	27.0%	26.4%
Operating expenses	(731)	(828)	(820)	(823)
Operating Profit	129	171	198	102
margin (%)	4.1%	4.6%	5.3%	2.9%
Other Income (Expenses), Net	(1)	(1)	0	0
Financing expenses, net	(64)	(50)	(49)	(55)
Net Income	48	90	114	27
margin (%)	1.5%	2.4%	3.0%	0.8%
EBITDA	305	362	397	316
margin (%)	9.7%	9.7%	10.5%	9.0%



Balance sheet (assets)

(NISmn)	31.03.2019	31.03.2021	31.03.2022
Cash and cash equivalents, Short-term deposits	745	1,411	1,384
Trade receivables	1,297	1,714	1,602
Other receivables & Other investments	172	218	209
Inventory	995	999	1,089
Total Current Assets	3,209	4,342	4,284
Long-term deposits	-	400	-
Investments in associate	-	88	220
Other investments	108	83	61
Property, plant and equipment	3,259	3,202	3,481
Intangible assets and deferred expenses, Receivables and debit balances & Deferred taxes	1,321	1,562	1,605
Investment property	665	797	879
Right-of-use assets	3,311	3,919	4,304
Total Assets	11,873	14,393	14,834



Balance sheet (liabilities and equity)

(NISmn)	31.03.2019	31.03.2021	31.03.2022
Current liabilities			
Current maturities in respect of bonds & Credit from banks	195	299	316
Current maturities of lease liabilities	335	360	396
Trade payables	1,971	2,393	2,397
Liability in respect of option to acquire partnership	11	-	-
Other payables and Provisions	1,154	1,666	1,632
Total Current liabilities	3,666	4,718	4,741
Non - current liabilities			
Bonds	2,852	2,663	2,413
Lease liabilities	3,236	3,612	3,994
Employee benefits, net & Other liabilities	242	319	393
Deferred taxes	118	138	155
Total non-current liabilities	6,448	6,732	6,955
Equity	1,759	2,943	3,138
Total liabilities and equity	11,873	14,393	14,834



THANK YOU



