

Company Presentation Q3 2022

November 2022



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Shufersal At a Glance



Founded in 1957

As Israel's first modern supermarket chain, Shufersal is the country's leading and largest food retailer



Wide range of retail formats catering to all segments of the population, with nationwide footprint



100% free float



Three main segments⁽¹⁾:

- **Retail** c-92% of sales
 - Retail stores
 - Online
 - Private label
 - Finance
 - B2B
- **Be (Pharma)** c-7% of sales
- **Real Estate** (commercial properties incl. Shufersal stores) c-1% of sales



Pioneering online retail in Israel with the country's largest e-commerce website

Developing marketplace offering



Shufersal – Major Anchors



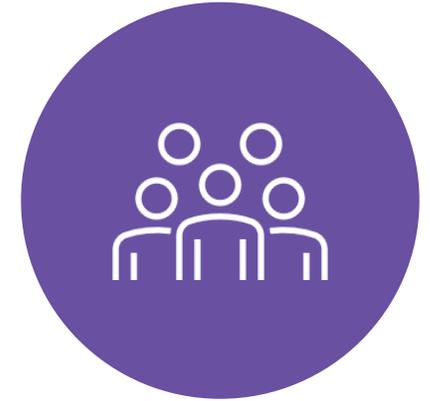
Retail



Customer
Base



Financial
Stability



Organizational &
Human Capital

Shufersal Group

Discount format

Urban format

Core Activities



Growth Engines



Private Labels



Anchors



Additional Activities

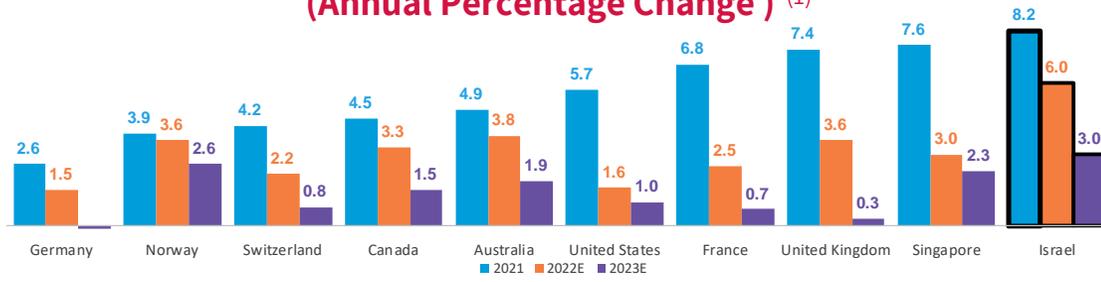


Favorable Macro Environment

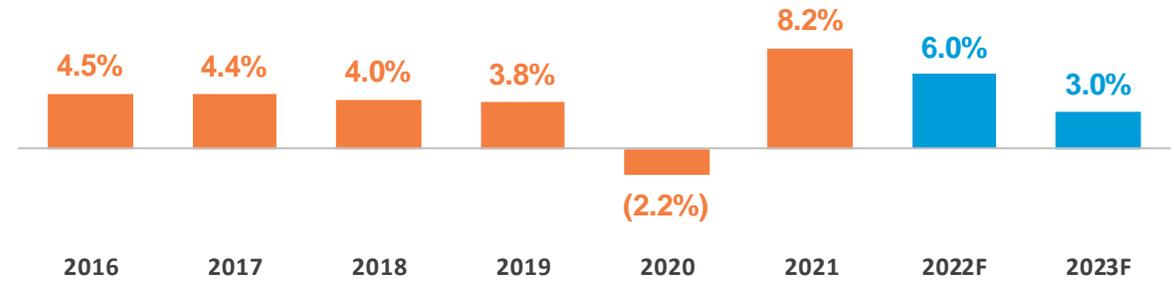
Growth rates in Israel are among the world's highest

Real GDP & Forecast for 2021-2023

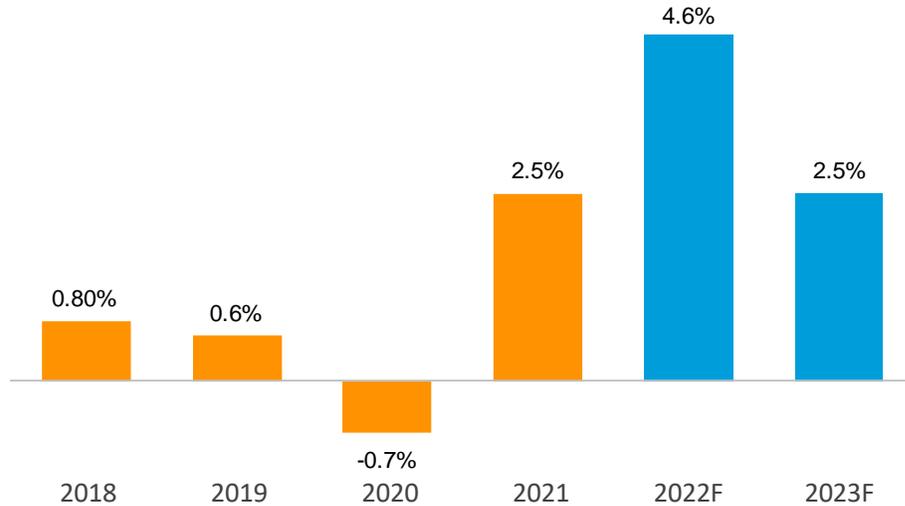
(Annual Percentage Change) ⁽¹⁾



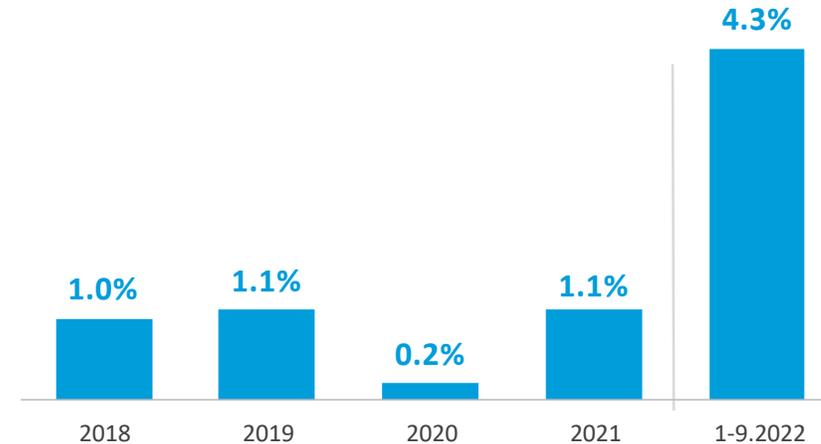
BOI - GDP, Rate of Change, Real Terms ⁽²⁾



Inflation ⁽²⁾



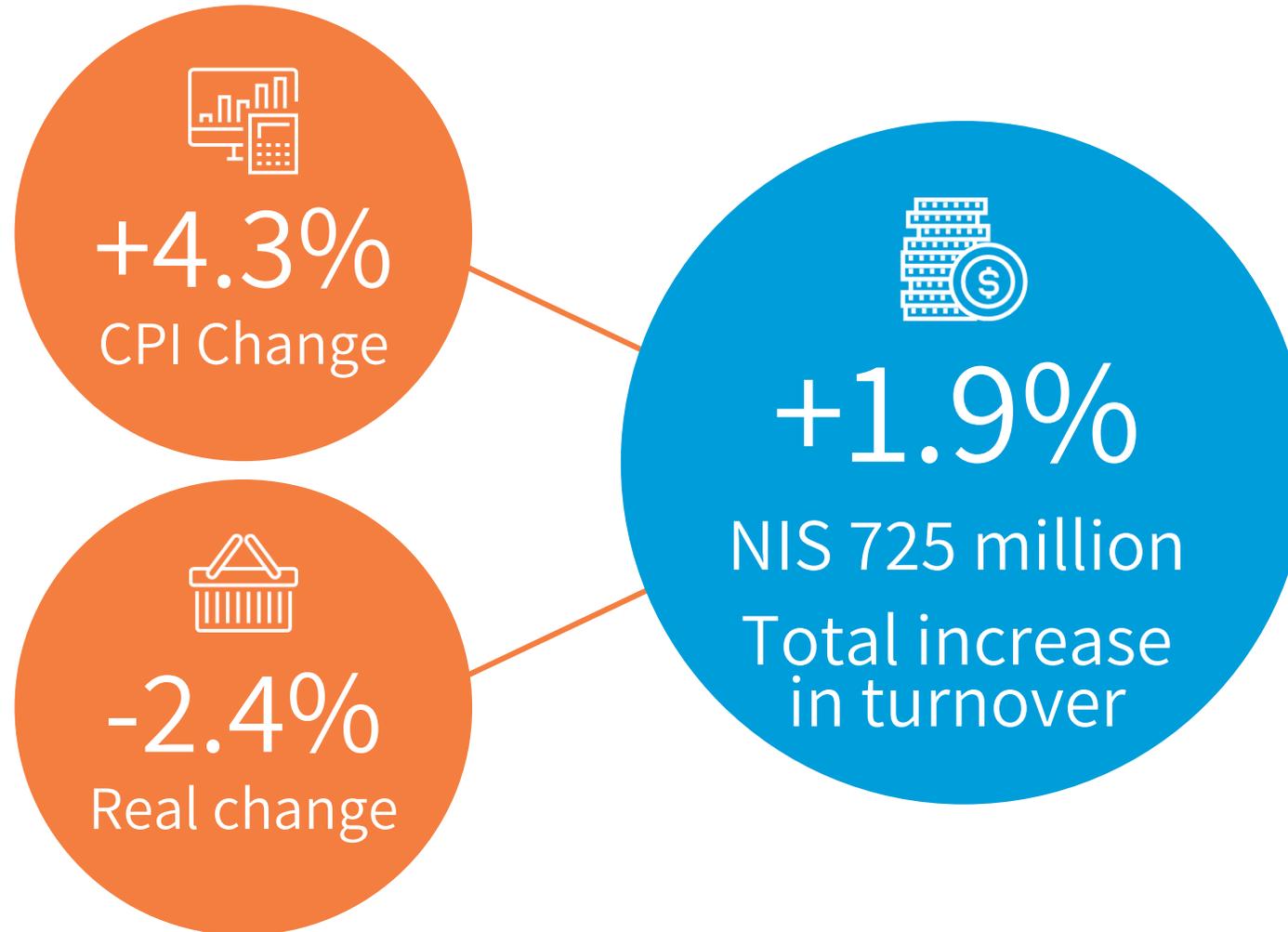
Inflation- Food Retail Market ⁽³⁾



- 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, 1-9.2022 compared to 1-9.2021



Growth Strategy

Growing online penetration;
and a developing marketplace offering



Opening New Branches

Opening about **90** stores in the next 4 years:

3

Cash & Carry
10,000 sq m



12

Dan Deal
12,000 sq m



30

Be
12,000 sq m



32

Shufersal Express &
Good Market
20,000 sq m



15

Shufersal Deal
branches, Shufersal
Sheli & Yesh Hesed
18,000 sq m



Shufersal 1-9.2022 – Key Metrics



NIS 14.6bn

Revenue 12m



9.0%

EBITDA Margin



-2.5%

QoQ Decrease
in Same Store Sales



c.20%

Food Retail Market Share⁽¹⁾



19.6%

Online Share⁽²⁾



27%

Private Label Share⁽²⁾



314 Shufersal Stores

93 Be Stores



673k

Cardholders



NIS 2.8B

Property Owned Value



c.16,330

Employees



NIS 6.2bn⁽³⁾

Market Cap.



iLAA-/Stable⁽⁴⁾

S&P Maalot Rating

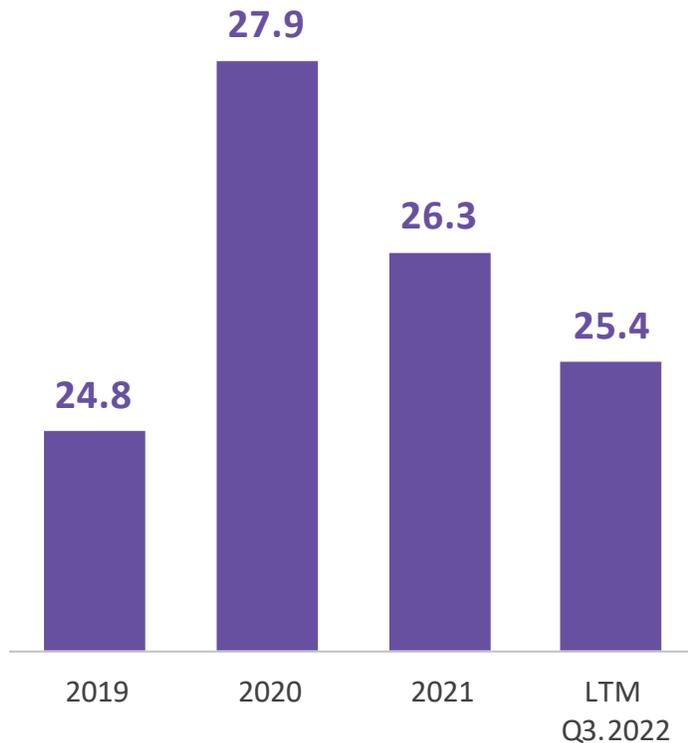
RETAIL

2022

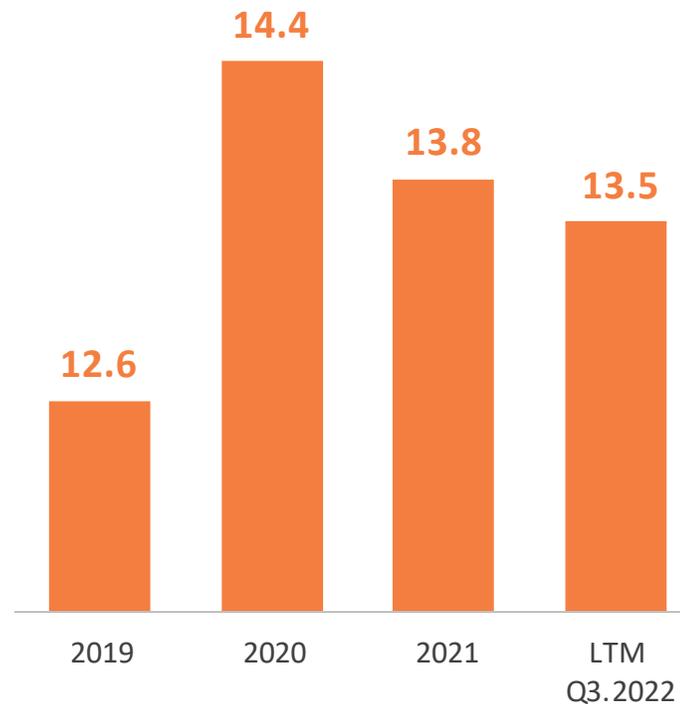
Retail KPIs



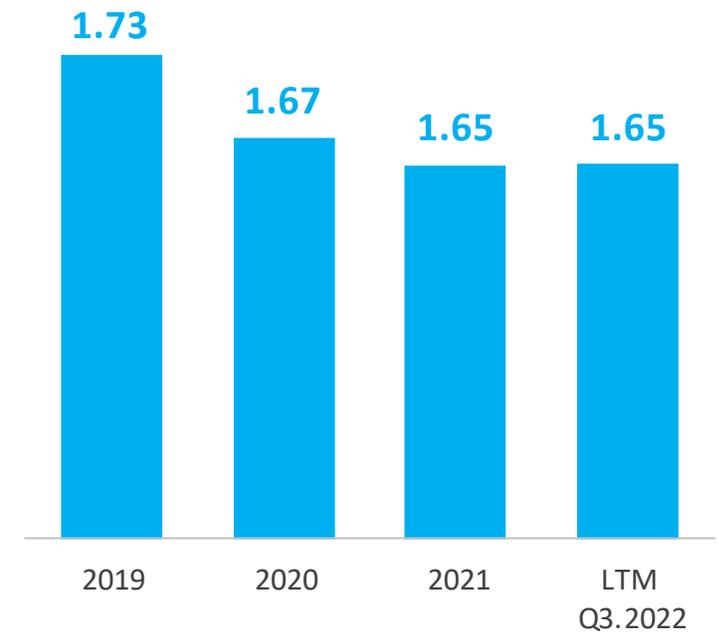
Sales per sqm⁽¹⁾
(K NIS)



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

Strengthening the premises in the branches



- Currently in 10 branches
- The opening of the complexes improved the sales of the pharmacy in these branches
- Reaching the premises in 30 branches within 4 years



- Non-Food departments
- 35 large branches including electrical products and household appliances



- About 100 branches
- Continue development of private brand GREEN

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**

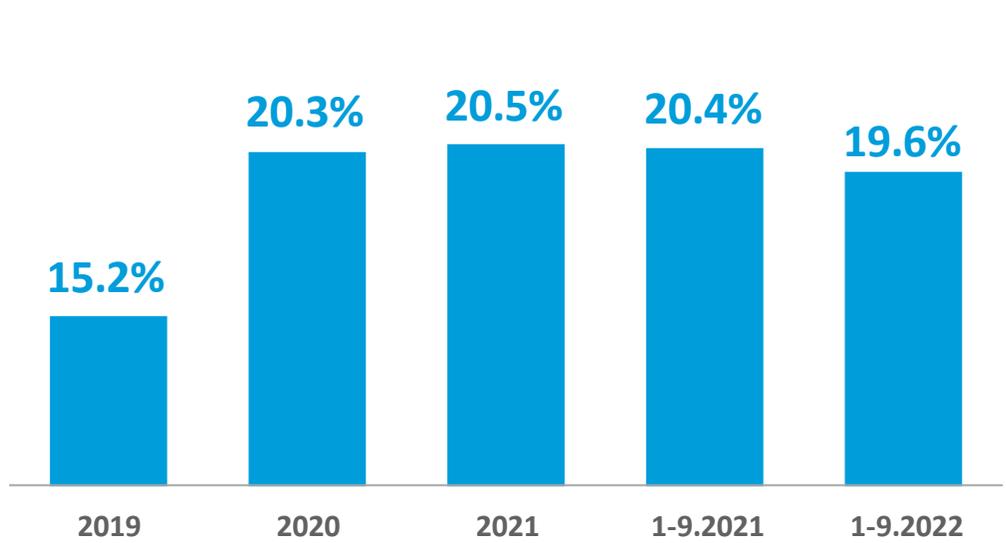
Nationwide footprint, backed by robust logistic infrastructure covering **100% of the population**

1st mover advantage allows to maintain clear leadership

More **diversified offering** than physical stores

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

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



Shufersal Online –

Automatic shipping center (CFC)



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

Kadima – go-live in August 2021. And completed ramp-up to achieve full production rates on April 2022.

Modi'in - commercial operations scheduled for February 2023.



Consistent Expansion of Private Label



- Ice creams
- Gluten free products



- Deli salads
- Cleaning supplies
- Cheese spreads



- Shampoo
- Cookie Dough
- Bio Yogurt



- Cornflakes
- Beer
- Ravioli



- Consistently expanding into new categories
- **Improving retail's profitability**
- **Significant growth runway through B2B**

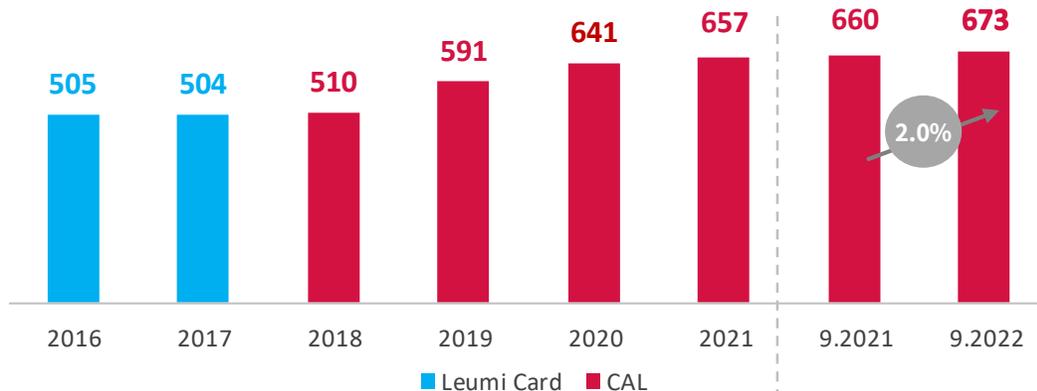
Note: Shufersal stores and shipping centers
 *Q3.2022- 26.7% of sales

Israel's Largest Customers Club

Customers Club Overview

- **#1 Loyalty program** with over **2mn households**
- 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)



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



Growth Engines- Pay Box

- One of the two leading P2P applications in Israel
- The leading crowdfunding app (40,000+ new groups every month)
- The only "wallet" app that allows balance management
- A digital, totally free credit card that accumulates Cash Back in each purchase

Transaction cycle
(1-9.22)

3,500M

+63%

Compared to 1-9.21

Active customers
(in 90 days)

1.2M

+15%

compared to 31.12.21

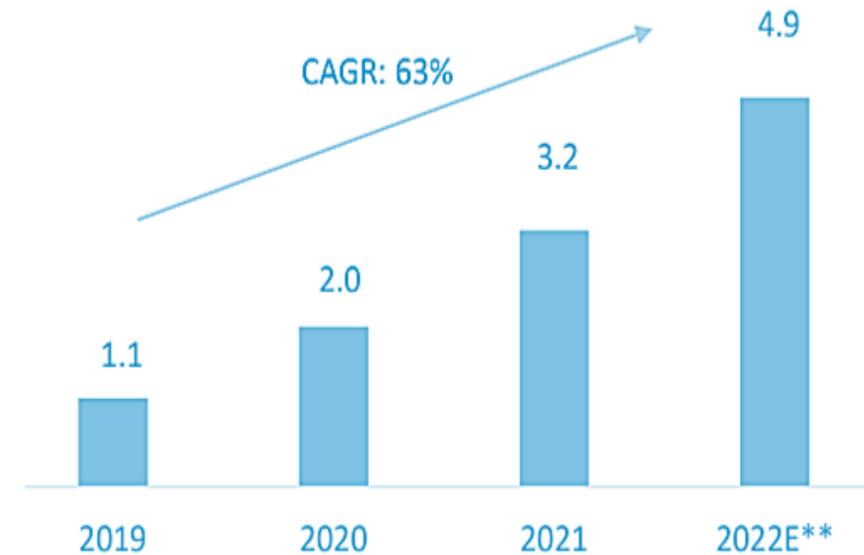
Downloads
(uniques)

3.3M

+24%

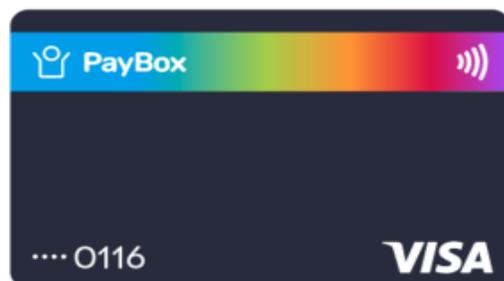
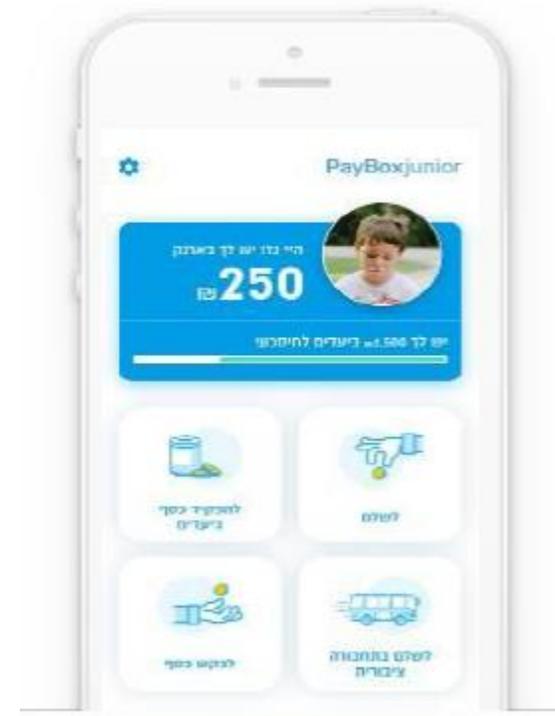
15%+
compared to 31.12.21

**Volume of Pay Box Transactions,
NIS bn**



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 a Fragmented Wholesale Market

Cash & Carry

- **Opened 1st store in 2018**, targeting urban mini-markets, kiosks and food service customer.
- **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 600 points** of sale nationwide.

Professional Market

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

Cash & Carry ,“Rural & Urban Region” and “Shufersal Amiga” represent a **compelling growth opportunity**, targeting an overall **market of NIS11.7bn⁽¹⁾** composed of mini-markets, groceries and food service

Technological Innovation

A successful pilot was carried out in two branches this year, the results of which are:

- Increasing the shopping basket
- Savings in operating expenses
- Increasing customer satisfaction
- Reaching 50 Shufersal Deal branches with a smart cart in 2023
- In collaboration with Shopic

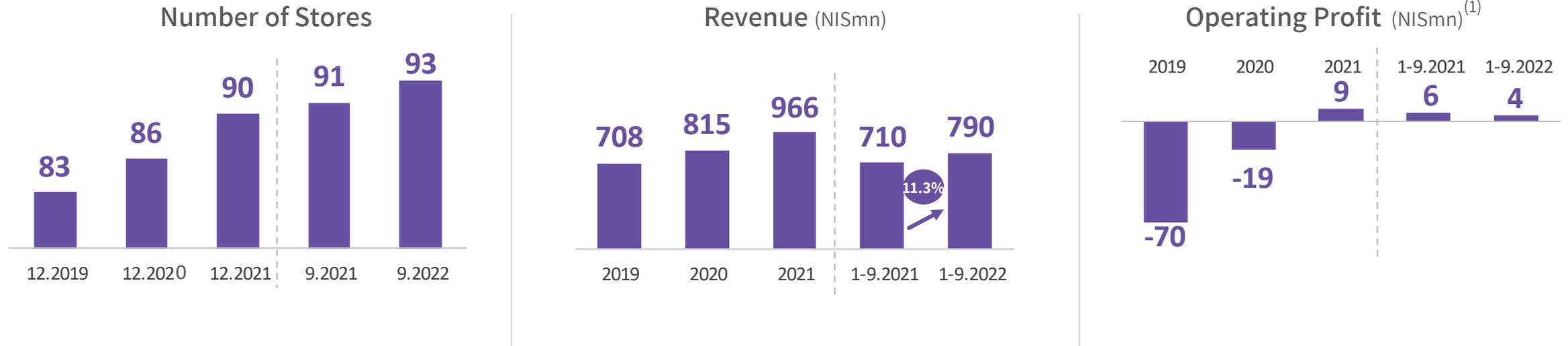


Be



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

Rapidly Growing Segment



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 as a Significant Growth Engine



Key Metrics*

231,000 sq m⁽¹⁾

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

**About NIS 196
million**

The company's
income (normalized)**

78 assets⁽¹⁾

Amount of assets

NIS 2.8 billion

Real estate book-value

160,000 sq m⁽¹⁾

Available building rights
(gross area including
parking lots)

NIS 120 million

FFO (normalized)**

NIS 166 million

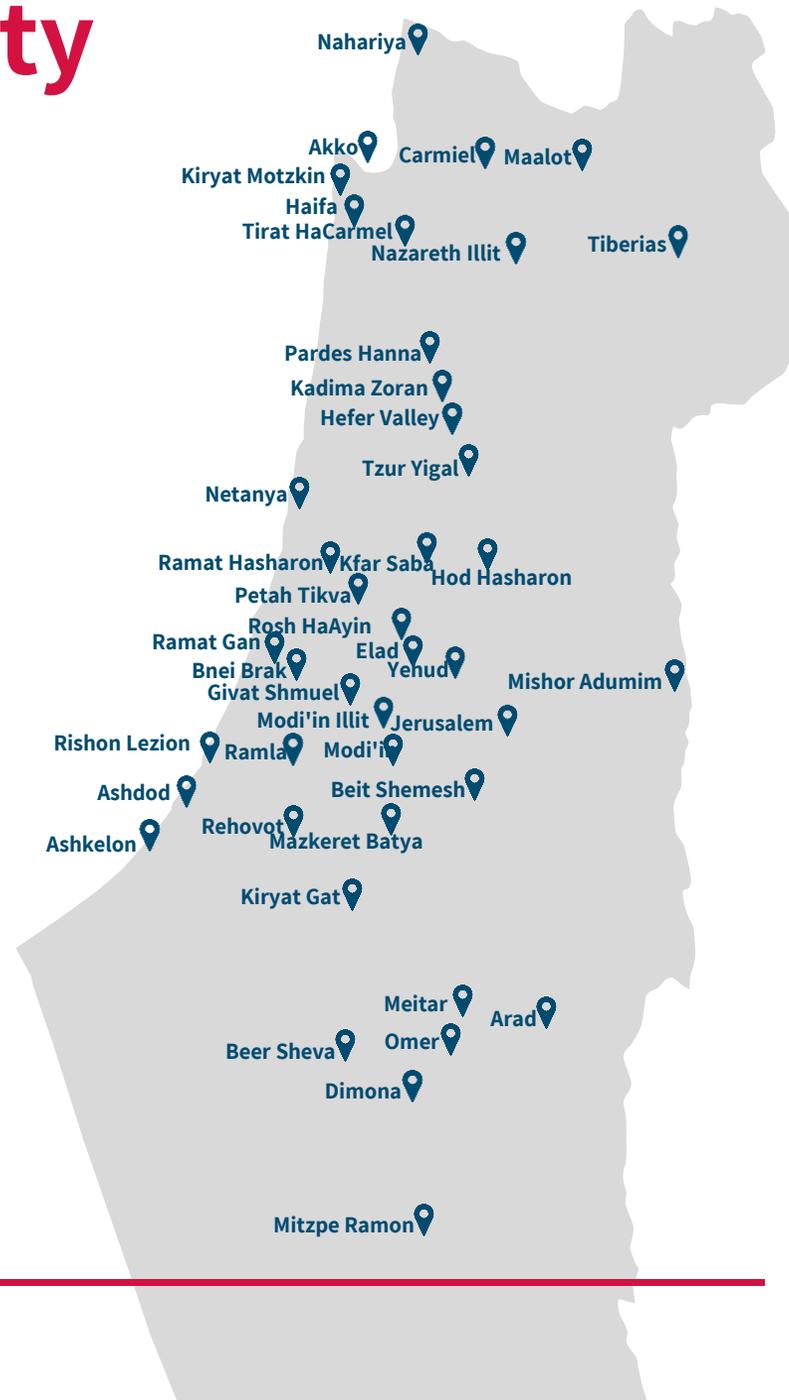
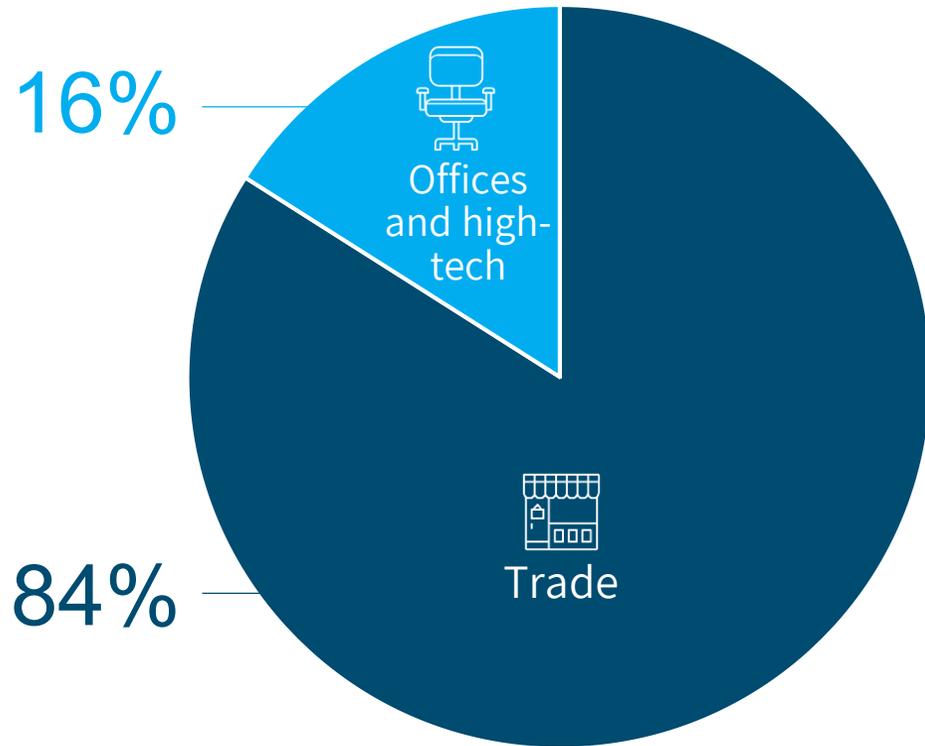
EBITDA (normalized)**

* Unaudited data based on Shufersal Real Estate's financial reports for September 30, 2022

** Normalized to full year results. Based on results 1-9.2022 divided by 75%

Main Areas of Activity and National Deployment

Income Distribution



Wide geographical and sectoral dispersal

98% Percentage of occupancy

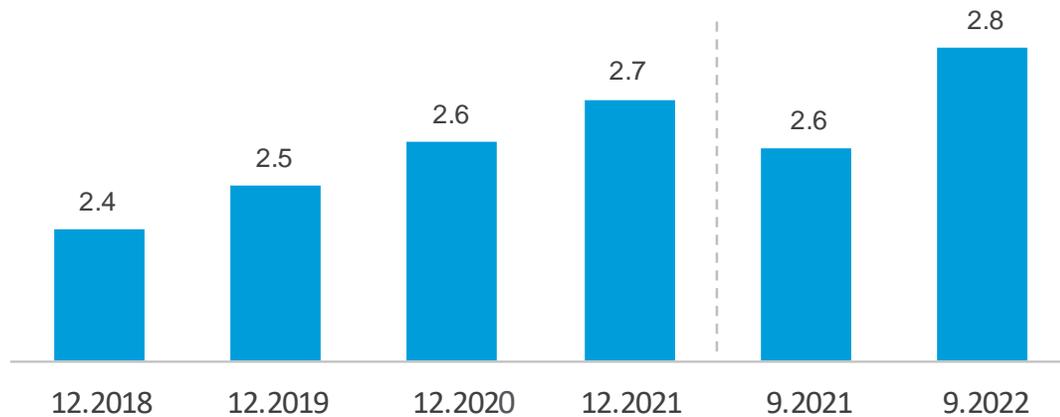
44 Cities across Israel

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



Approximately **73,000** sq m.
of which **40,500** sq m. is above ground



Combination transaction.
A marketing process has started and
these days agreements are being signed



Estimated date of completion
Q3 2023



Income-producing assets | Kfar Saba junction plot 2004



The intersection of Derech HaSharon and Netiv HaAvot streets in Kfar Saba



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

Promotion of a city building plan for an additional about **8,000** sq. m. (on the way to the district)



In July 2022, Shufersal Real Estate signed an combination deal with the Rogovin Group. Company's share - **33%**



Initiated Assets | Lev HaMifratz Mall “CineMall”



55-61 Histadrut Blvd., Haifa



Approximately **66,000** sq. m. is above ground (including parking lot);
There are unused building rights.

An agreement to increase the holding rate from **37%** to about **59%** in Lev HaMifratz Mall was completed in October 2022



Improvement Potential | Nahariya Lohamei HaGeta'ot



Lohamei HaGeta'ot 45 Nahariya



7,400 sq m. land area
of which **5,300** sq m. is above ground
5,100 sq m. in available building
rights



Property book value of **48.6M**
NIS



A conditional sales agreement
for promoting an urban
building scheme was signed
with Reisdor Enterprises Ltd



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

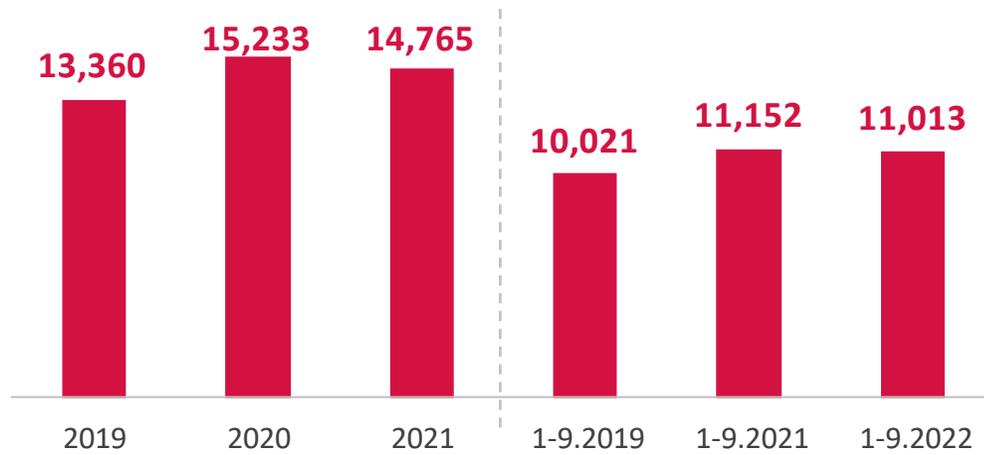


FINANCIALS

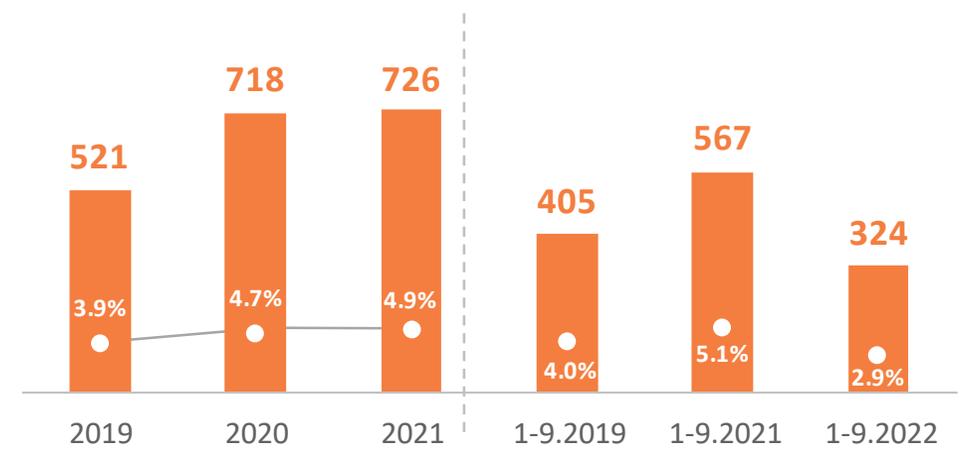
2022

Financial Performance

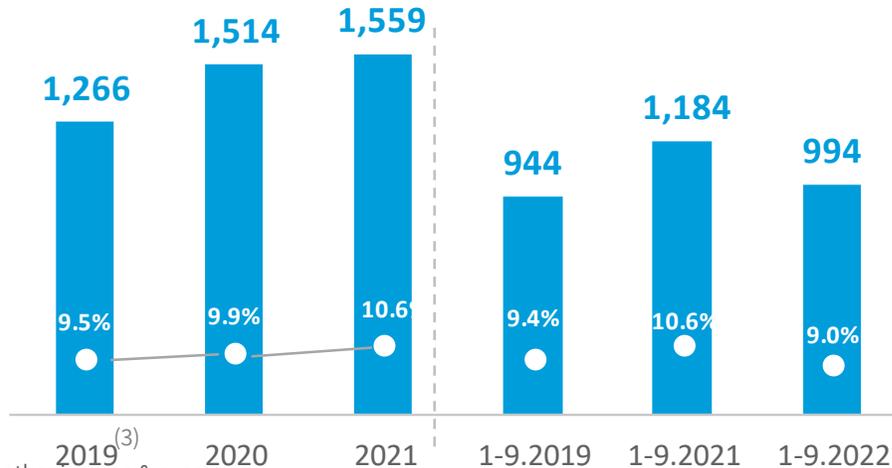
Revenue (NISmn)



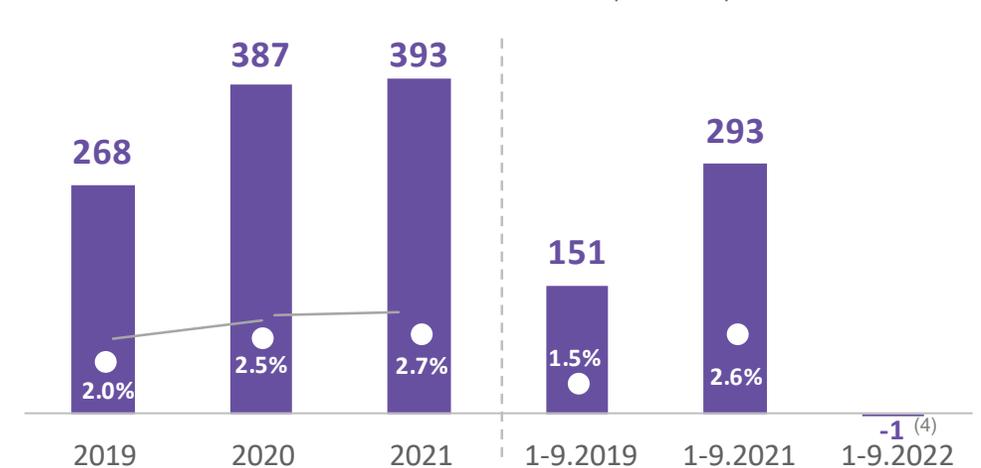
Operating Profit⁽¹⁾ (NISmn)



EBITDA⁽²⁾ (NISmn)



Net Income (NISmn)



(1) Before other income & expenses.

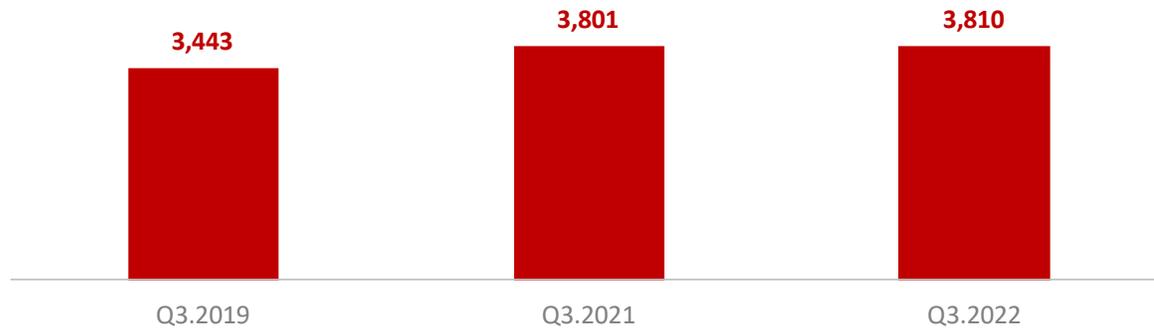
(2) Operating profit before other expenses less depreciation and amortization.

(3) Adoption of IFRS-16 at the beginning of 2019 has had a positive impact on EBITDA in the amount of NIS422mn in 2019, an impact of NIS433mn in 2020 and an impact of NIS453mn in 2021

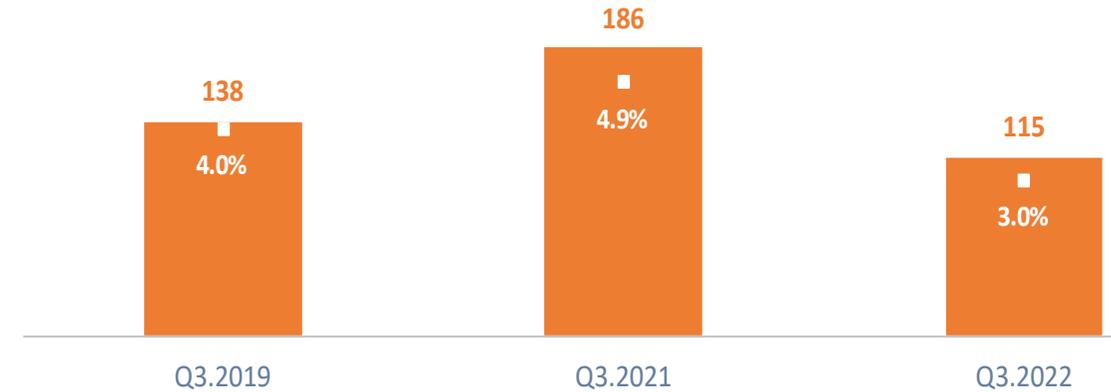
(4) The net profit on 1-9/22 neutralizing the effect of a one-time expense for the efficiency plan is about NIS 138 million

Financial Performance- Q3

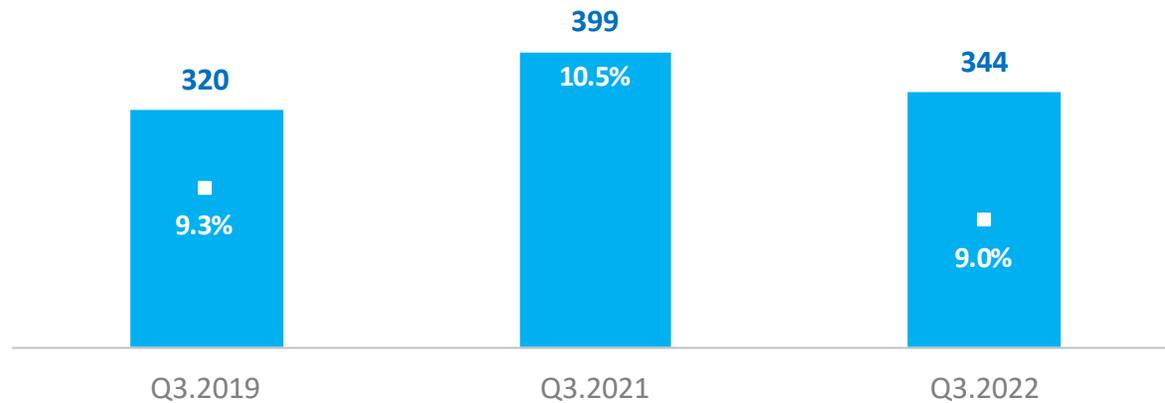
Revenue (NISmn)



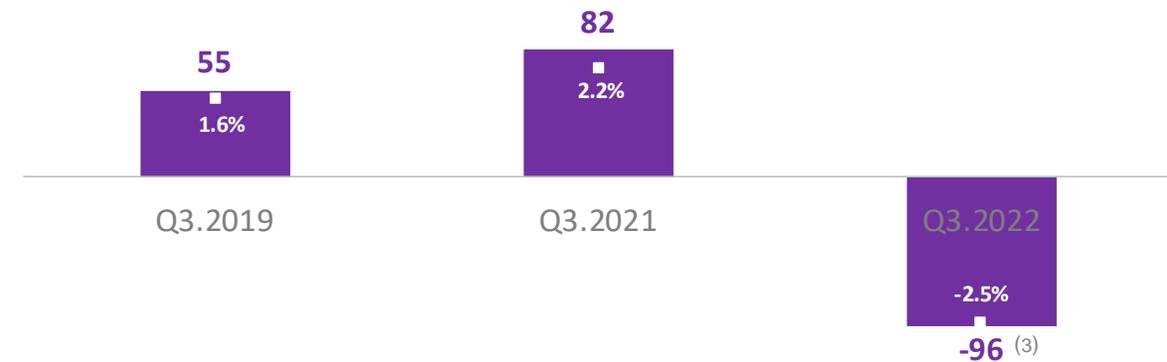
Operating Profit⁽¹⁾ (NISmn)



EBITDA⁽²⁾ (NISmn)



Net Income (NISmn)



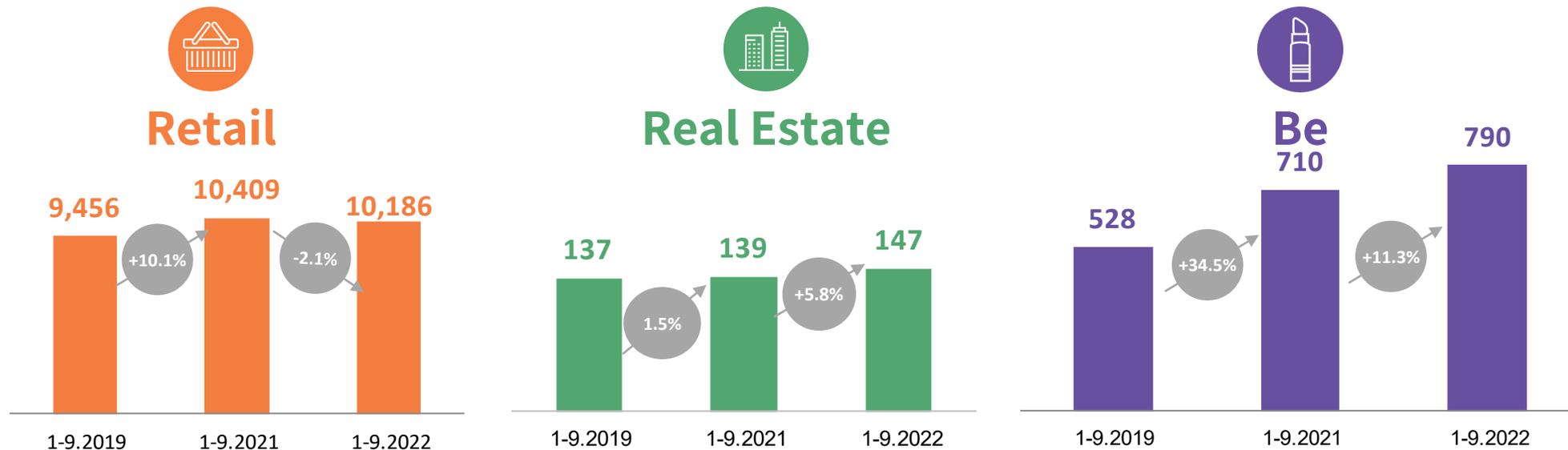
(1) Before other income & expenses.

(2) Operating profit before other expenses less depreciation and amortization.

37 (3) The net profit in the 3rd quarter, excluding the effect of a one-time expense for the efficiency plan is about NIS 43 million.

Segments (January-September)

Revenue (NISmn)



Operating Profit⁽¹⁾ (NISmn)



Segments- Q3



Retail

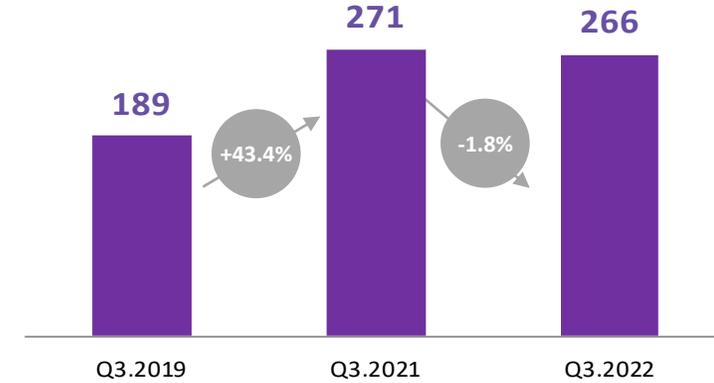
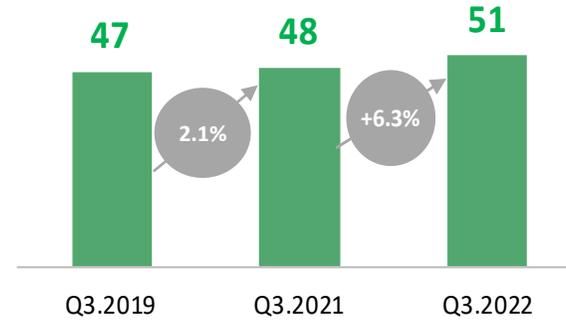
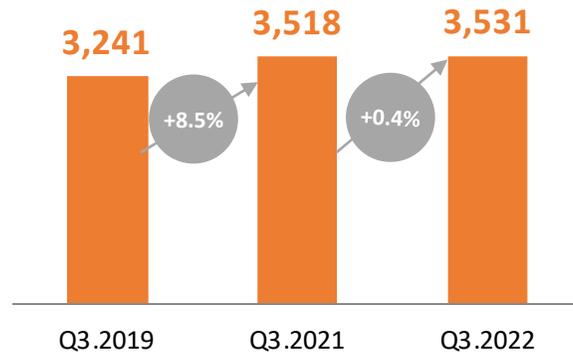


Real Estate

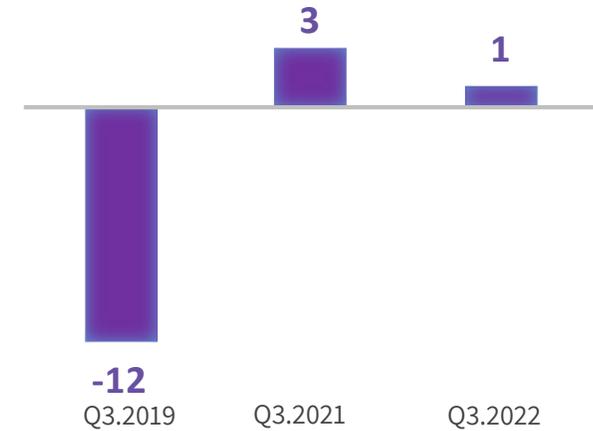
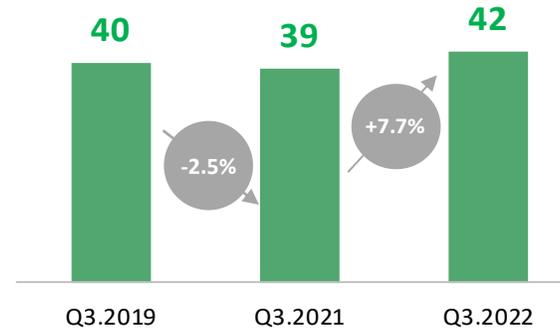
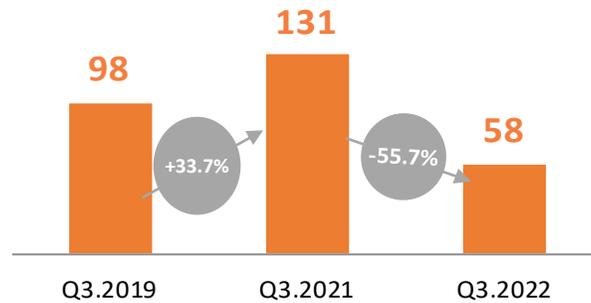


Be

Revenue (NISmn)



Operating Profit⁽¹⁾ (NISmn)



Exceptional Liquidity and Balanced Debt Profile

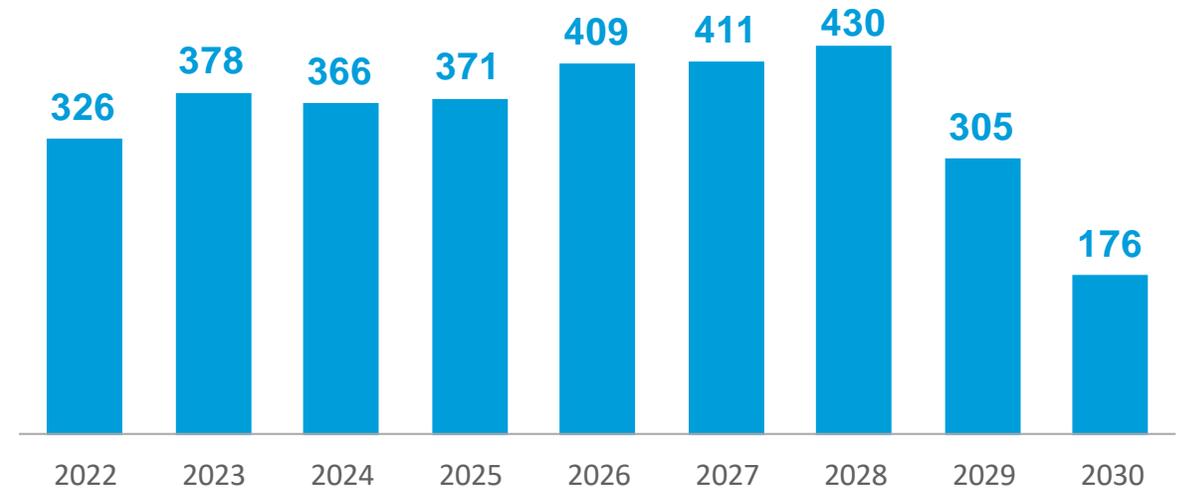
(NIS in millions)

1-9.2022

Non CPI Linked Bonds	1,731
CPI Linked Bonds*	1,050
Total Debt	2,780
Cash & ST Investments	(1,211)
Net Debt	1,569

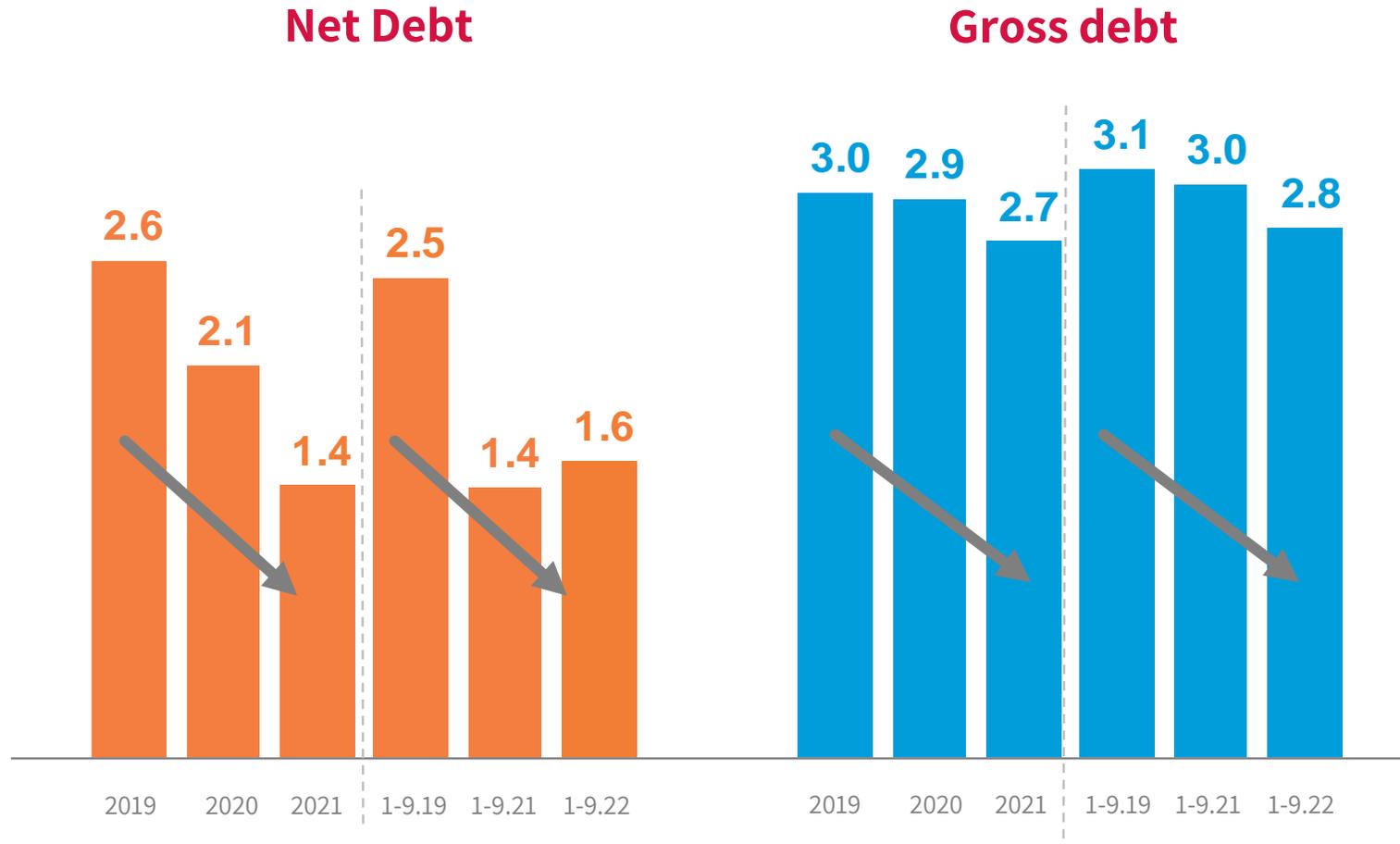
*As of September 30, 2022, the company has SWAP transactions for the exchange of NIS index-linked flows with fixed NIS flows for bonds (series F) in the amount of NIS 467 million.

Future Bond Repayments⁽¹⁾ (NISmn)



- Well staggered debt maturity profile
- iIAA debentures credit rating by S&P Maalot (iIAA-/ Stable company rating)
- 100% unencumbered real estate assets

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



Note: excluding IFRS-16 liability

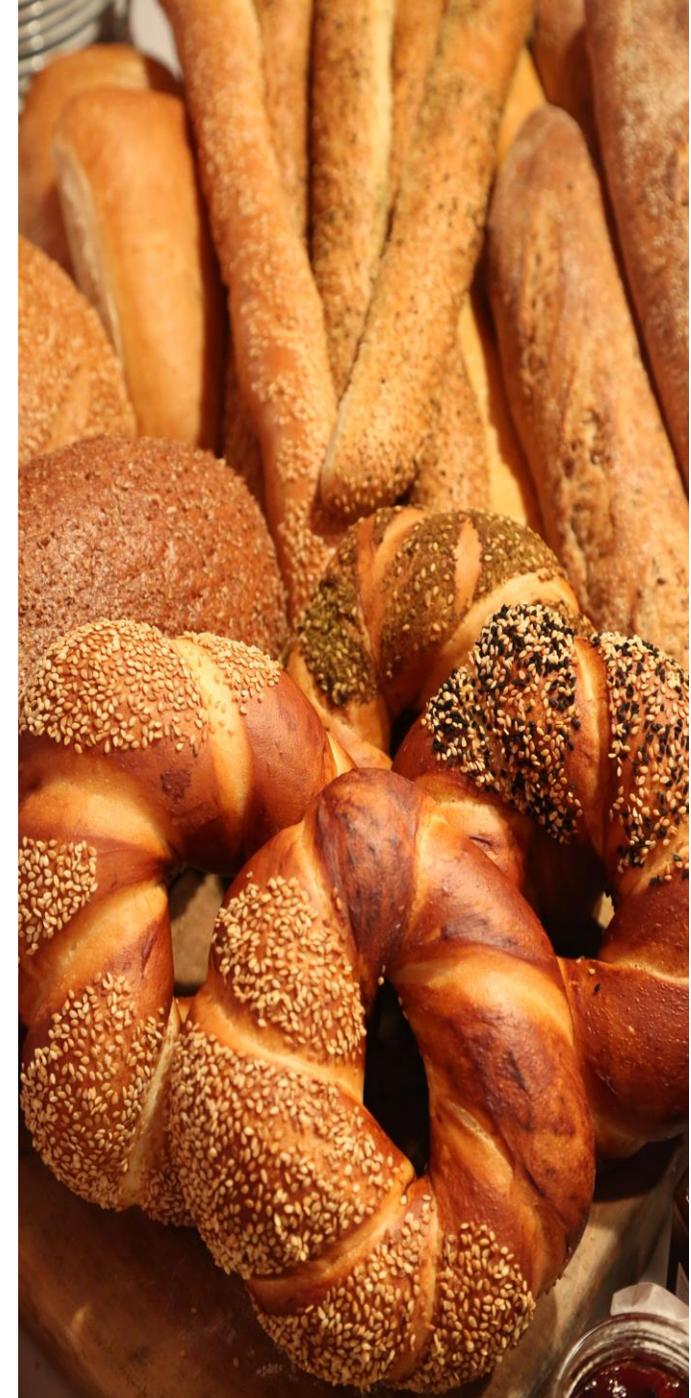
- Liabilities to banking corporations, debentures, including interest payable
- Excluding cash and cash equivalents, short term deposits and marketable securities.

Appendix



Consolidated Income Statement

<i>(NISmn)</i>	1-9 2019 (1)	1-9 2020	1-9 2021	1-9 2022
Revenues	10,021	11,362	11,152	11,013
<i>growth (%)</i>	<i>4.2%</i>	<i>13.4%</i>	<i>-1.8%</i>	<i>-1.2%</i>
Gross Profit	2,711	2,996	3,047	2,922
<i>margin (%)</i>	<i>27.1%</i>	<i>26.4%</i>	<i>27.3%</i>	<i>26.5%</i>
Operating expenses	(2,306)	(2,480)	(2,480)	(2,598)
Operating Profit	405	516	567	324
<i>margin (%)</i>	<i>4.0%</i>	<i>4.5%</i>	<i>5.1%</i>	<i>2.9%</i>
Other Income (Expenses), Net	(1)	13	1	(123)
Financing expenses, net	(202)	(170)	(173)	(154)
Net Income	151	267	293	-1
<i>margin (%)</i>	<i>1.5%</i>	<i>2.4%</i>	<i>2.6%</i>	<i>0.0%</i>
EBITDA	944	1,103	1,184	994
<i>margin (%)</i>	<i>9.4%</i>	<i>9.7%</i>	<i>10.6%</i>	<i>9.0%</i>



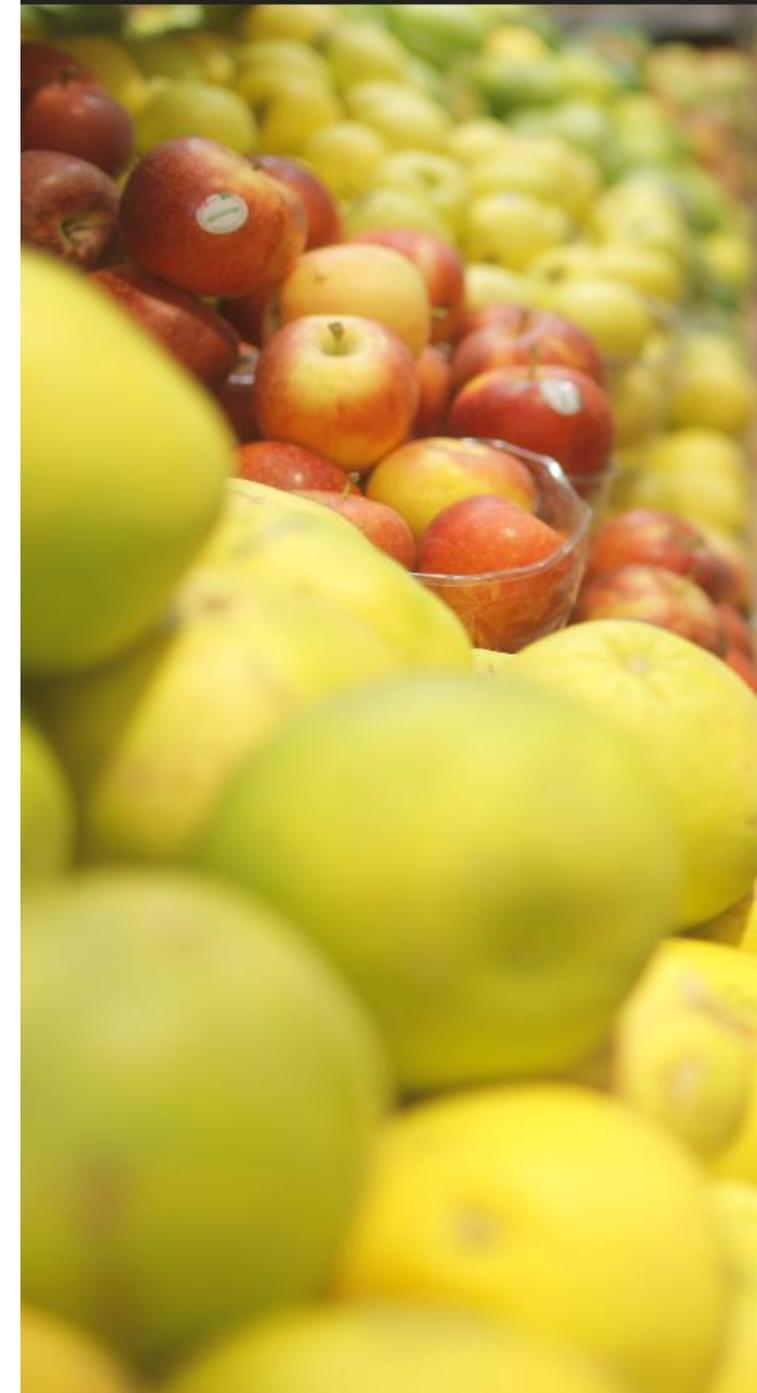
Balance sheet (assets)

(NISmn)	30.09.2019	30.09.2021	30.09.2022
Cash and cash equivalents, Short-term deposits	570	1,598	1,211
Trade receivables	1,609	1,566	1,700
Other receivables & Other investments	196	179	186
Inventory	944	913	1,005
Total Current Assets	3,319	4,256	4,102
Long-term deposits	-	350	-
Investments in associate	91	210	220
Other investments	99	80	70
Property, plant and equipment	3,058	3,273	3,507
Intangible assets and deferred expenses, Receivables and debit balances & Deferred taxes	1,335	1,580	1,773
Investment property	681	802	953
Right-of-use assets	3,568	4,193	4,305
Total Assets	12,151	14,744	14,930



Balance sheet (liabilities and equity)

(NISmn)	30.09.2019	30.09.2021	30.09.2022
<u>Current liabilities</u>			
Current maturities in respect of bonds & Credit from banks	250	347	360
Current maturities of lease liabilities	360	387	413
Trade payables	2,131	2,379	2,329
Liability in respect of option to acquire partnership	11	-	-
Other payables and Provisions	1,131	1,394	1,611
Total Current liabilities	3,883	4,507	4,713
<u>Non - current liabilities</u>			
Bonds	2,853	2,678	2,420
Lease liabilities	3,215	3,874	4,072
Employee benefits, net & Other liabilities	284	421	431
Deferred taxes	121	140	157
Total non-current liabilities	6,473	7,113	7,080
Equity	1,795	3,124	3,137
Total liabilities and equity	12,151	14,744	14,930



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