
Ahold Delhaize

Q2 2021

# Ahold Delhaize Results

August 11, 2021

# Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as expect(ed), to open, 2022, end of 2021, as planned, to date, will, continue(s), expand, remain, on track, continue, still, Q3 2021, by, towards, remains, uncertainty, developments, subject to, outlook or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the "Company") to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; political developments, natural disasters and pandemics; climate change; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company's defined benefit pension plans; the failure or breach of security of IT systems; the Company's inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company's legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company's outstanding financial debt; the Company's ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company's credit ratings and the associated increase in the Company's cost of borrowing; exchange rate fluctuations; inherent limitations in the Company's control systems; changes in accounting standards; adverse results arising from the Company's claims against its self-insurance program; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; and other factors discussed in the Company's public filings and other disclosures.

Forward-looking statements reflect the current views of the Company's management and assumptions based on information currently available to the Company's management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

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# Business Highlights

Frans Muller, President & CEO

# Strong Q2 results and higher two-year comparable sales stack[1]; raising full year earnings and underlying operating margin guidance

- On a two-year comparable sales stack basis[1], comparable sales excluding gas in the U.S. increased 19.1% and in Europe were up 12.6% in Q2 2021, a sequential acceleration versus US and European growth in full year 2020 of 15.8% and 12.3%, respectively
- Q2 Group net sales were €18.6 billion, up 3.0% at constant exchange rates, down 2.4% at actual exchange rates
- In the U.S. and Europe, Q2 comparable sales excluding gas were (1.5)% and 2.4%, respectively
- In Q2, net consumer online sales grew 35.8% at constant exchange rates, building on top of the significant 77.6% growth in Q2 2020
- Q2 underlying operating margin was 4.5%, diluted underlying EPS was €0.53
- Q2 IFRS-reported operating income was €817 million; Q2 IFRS-reported diluted EPS was €0.52
- Raising 2021 underlying EPS and Group underlying operating margin outlook; expect underlying EPS to grow in the high-teen range versus 2019 and Group underlying operating margin outlook to be approximately 4.3%
- 2021 interim dividend is €0.43 compared to 2020 interim dividend of €0.50, based on the Group's interim dividend policy of 40% payout of first half underlying income per share from continuing operations

1. Two-year comparable sales growth is a stack of the comparable sales growth excluding gasoline in the current year period added to the comparable sales growth excluding gasoline in the prior year period. This measure may be helpful to improve the understanding of trends in periods that are affected by variations in prior year growth rates

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# Strengthening position as industry-leading local omnichannel retailer in 2021

## Group net consumer online sales growth expected at 40%+ in 2021

### Step-up online capacity, supply chain and technological capabilities

- **Two new home delivery fulfillment centers in New York** to open in 2022; **Additional home delivery fulfillment center at Albert Heijn** on track to open **by end of 2021;** Opening the **first home delivery fulfillment center in Serbia in Q1 2022**
- **U.S. supply chain transformation progressing as planned,** with 3 out of 5 facilities transitioned in 2021 to date; **65% of procured center store volume to be self-managed by end of 2021 and 85% by 2022** with 5 additional facilities

### Advance omnichannel offerings

- **All US brands began to accept SNAP/EBT benefits for online grocery orders** during Q2 to improve accessibility for low-income customers
- **Albert Heijn "AH Compact" no-fee home delivery service** targeting smaller households has **expanded to 26 areas** currently, up from 6 areas in Q1
- Albert Heijn / bol.com and PostNL launched **automatic parcel machines at 5 stores to allow for pick up / return** bol.com packages

### Improving omnichannel productivity is a high priority

- **AI-enabled end-to-end forecasting and replenishment system** being finalized in 2H21
- ADUSA supply chain is **scaling up the use of Exosuits, an innovative wearable robotics technology**, to **enhance the safety and effectiveness of distribution center associates**
- **Bol.com** generated positive operating profits & double-digit return on capital to date in 2021; also expected for the full year
- Further deployment of **route optimization technology in the U.S.** at our Giant Company and Giant Food in July and further expansion to Stop & Shop in August **following successful deployment at our European brands**

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# Highlights: United States

- 61% online sales growth in Q2 (constant rates); Excluding the FreshDirect acquisition, U.S. online sales grew 29% in Q2 2021 (constant rates), building on top of the significant 126.8% growth in the year ago period
- 1,225 click & collect points at the end of Q2 (up from 1,139 in Q1); expansion to nearly 1,400 Click & Collect locations in the U.S. by the end of the year
- Remain on track to deliver over 70% growth in U.S. online sales in 2021
- Completed 14 Stop & Shop remodels in Q2; expect at least 50 to be completed in 2021; ~100 stores have been remodeled year-to-date; stores continue to provide sales uplift
- Food Lion achieved its 35th consecutive quarter of positive comparable sales growth; The 71 stores acquired in Q1 continue to exceed sales expectation
- The GIANT Company expanding its footprint by opening new stores by 2023, reaching a market leading position in Philadelphia


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# Highlights: Europe

- Market share gains across the Benelux brands in Q2 and maintained market share in CSE
- 27.0% net consumer online sales growth in Q2, on top of 63.9% growth in the year ago period
- Bol.com grew net consumer online sales by 24.2% in Q2; on top of 65.4% growth in the year ago period. Bol.com added roughly 2,000 merchant partners to the platform, bringing the total ~47,000 merchant partners; sales from third-party sellers grew 26 % in Q2
- Dutch regulator ACM approves Albert Heijn's pending acquisition of 38 DEEN stores; still on track to close in Q3 2021
- Albert Heijn remodeled 18 stores to its new fresh and technology-focused format in Q2 will complete ~60 stores by year end
- Albert Heijn continued to expand its home delivery service in the Belgian Flanders region; Doubling the coverage to 800,000 households, up from 400,000 households in Q1
- Delhaize SuperPlus loyalty plan providing rewards and discounts to consumers of healthy and sustainable products ended Q2 with nearly 1.9M members (up from 1.7M in Q1) and is providing sales uplift
- Albert in Czech Republic promoted healthier eating via the April launch of Muj Albert loyalty app, which provides rewards and discounts to consumers on purchases of healthy and sustainable products; ended Q2 with 800K members joining the plan making Muj Albert the leading app in Czech Republic



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# ESG Action Items

## Recent Initiatives

In July, Ahold Delhaize is one of the **leading signers** of the **EU Code of Conduct for Responsible Business and Marketing Practices**, as part of the European Green Deal and the Farm to Fork Strategy.

The purpose of the Code is to unite on a common **path towards a sustainable food system.** Under the Code, Ahold Delhaize has pledged **10 commitments in the areas of healthier choices, product transparency, eliminating waste and climate impact.**

**Mega Image**, first food retailer in Romania to introduce **NutriScore nutritional navigation system across its own brand products**; following successful implementation in other European markets. In the U.S., **52.4% of our Q2 2021 sales are healthy, earning the Guiding Stars 1,2 or 3 rating**


Albert Heijn named **frontrunner on Superlist Green 2021** by research agency Questionmark as the only supermarket in The Netherlands **providing transparent data on sustainability and make healthy and sustainable diet the easiest choice**

In June, **Albert in Czech Republic** achieved the **#1 position in Healthy retailer perception** according to the Kantar survey for **advising customers on healthy food choices**


**Rolled out Flashfood app across all Giant Company** stores in June. The app **reduces waste and promotes healthy eating** by providing customers with significant discounts on fresh foods nearing their best before date

**US brands are the member of the Business Coalition for Equality Act**, to promote a safe and inclusive workplace, and ensure basic protections to LGBTQ+ people

# Financial Highlights

Natalie Knight, Chief Financial Officer

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# Q2 Underlying Performance

| Net sales | Comparable Sales Growth excl. gas | Net Consumer Online Sales |
|---|---|---|
| € 18,645 million | 0.0% | € 2,447 million |
| vs LY constant rates 3.0% | U.S. (1.5)%<br>E.U. 2.4% | vs LY constant rates 35.8% |

| Underlying operating income | Underlying operating margin | Underlying Income from continuing operations | Diluted Underlying EPS |
|---|---|---|---|
| € 832 million | 4.5% | € 551 million | € 0.53 |
| vs LY constant rates (12.2)% | vs LY constant rates (0.8) pts | vs LY constant rates (15.5)% | vs LY constant rates (12.1)% |

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# Q2 IFRS-reported results

Net sales

**€ 18,645**
million

vs LY constant rates 3.0%

Comparable Sales Growth excl. gas

**0.0%**

U.S. (1.5)%
E.U. 2.4%

Online Sales

**€ 1,812**
million

vs LY constant rates 39.2%

Operating income

**€ 817**
million

vs LY constant rates (13.3)%

Operating margin

**4.4%**

vs LY constant rates (0.8) pts

Income from continuing operations

**€ 540**
million

vs LY constant rates (17.1)%

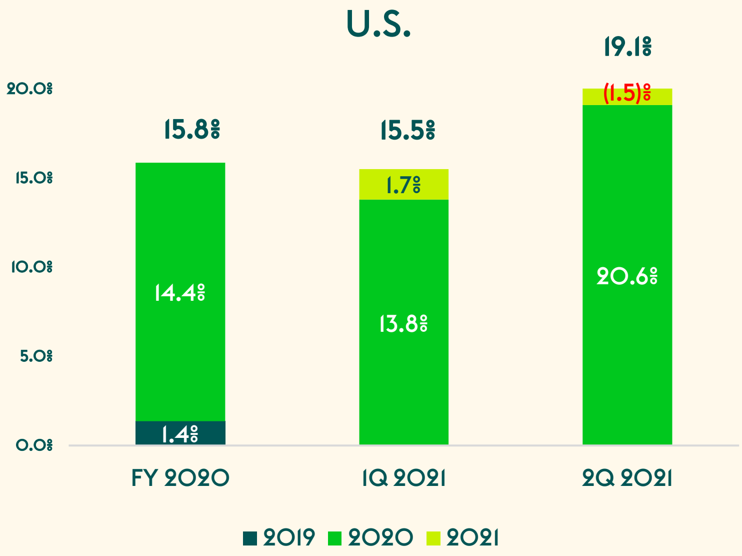
Diluted EPS

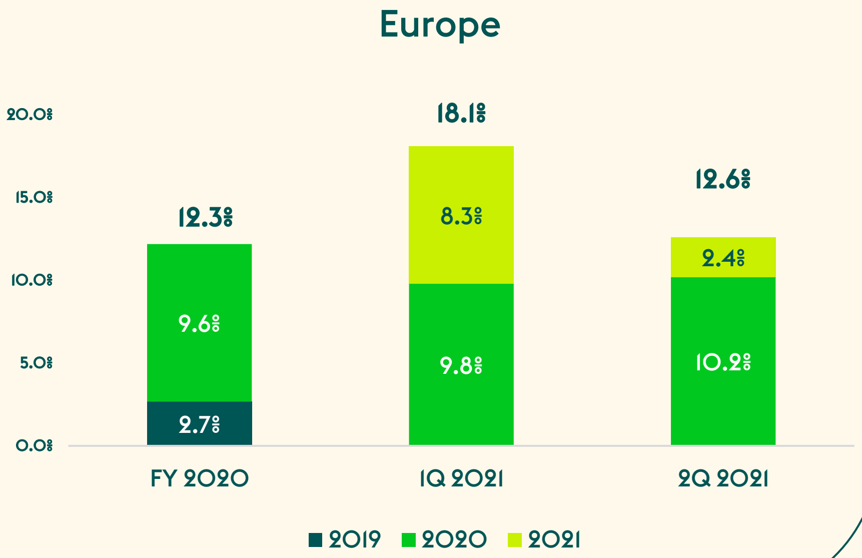
**€ 0.52**

vs LY constant rates (13.9)%

# Strong two-year comparable sales stack[1] trend continued in Q2 in both regions, in particular the U.S.

**Value above the bar is 2-year comparable sales ex-gas stack; within the bar is the 1-year comparable sales ex-gas for each quarter**

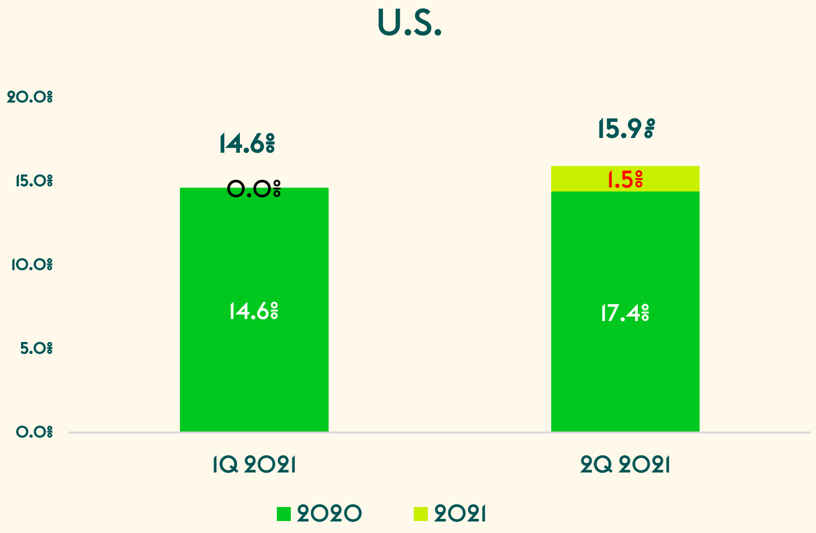


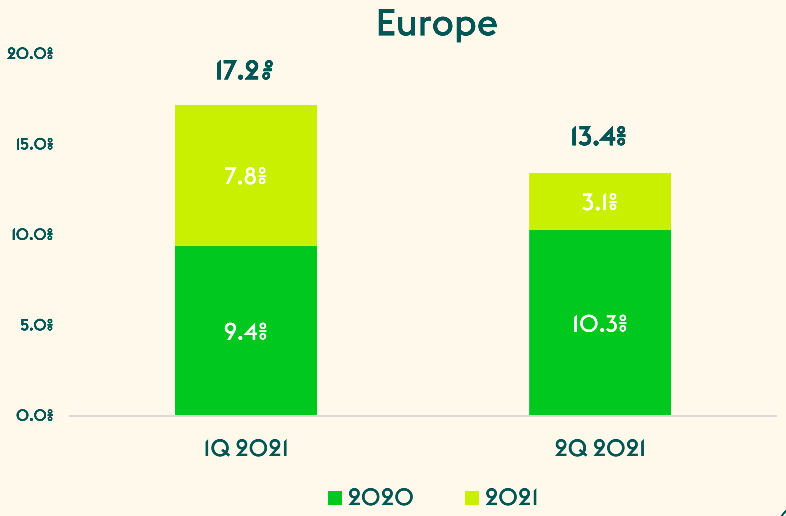




[1] Two-year comparable sales stack is the comparable sales growth excluding gasoline in the current year period added to the comparable sales growth excluding gasoline in the prior year period. This measure may be helpful to improve the understanding of trends in periods that are affected by variations in prior year growth rates.

# Adjusted for the effects of weather, calendar, and lapping of the Stop & Shop strike, Q2 2021 two-year comparable sales stack[1] accelerated in the U.S.; trend in Europe also remained strong

**Value above the bar is 2-year comparable sales ex-gas stack; within the bar is the 1-year comparable sales ex-gas for each quarter**




**Adjustments exclude U.S. calendar shift and weather impacts Q1 2020, and Q1 2021 periods; excludes lapping effect of Stop & Shop strike in Q2 2020; excludes Europe calendar shift impacts Q1 2021, and Q1 2020, Q2 2020, and Q2 2021**

[1] Two-year comparable sales stack is the comparable sales growth excluding gasoline in the current year period added to the comparable sales growth excluding gasoline in the prior year period. This measure may be helpful to improve the understanding of trends in periods that are affected by variations in prior year growth rates.

# High sales and margin levels despite tough prior year comparison

| € million, except per share data | Ahold Delhaize Group | | The United States | | Europe | |
|---|---|---|---|---|---|---|
| | Q2 2021 | % change constant rates | Q2 2021 | % change constant rates | Q2 2021 | % change constant rates |
| Net sales | 18,645 | 3.0 % | 11,115 | 2.7 % | 7,529 | 3.6 % |
| Comparable sales growth excl. gas | — % | | (1.5) % | | 2.4 % | |
| Online sales | 1,812 | 39.2 % | 753 | 61.0 % | 1,059 | 26.9 % |
| Net consumer online sales | 2,447 | 35.8 % | 753 | 61.0 % | 1,693 | 27.0 % |
| Operating income | 817 | (13.3) % | 546 | (16.2) % | 308 | (5.8) % |
| Operating margin | 4.4 % | (0.8) pts | 4.9 % | (1.1) pts | 4.1 % | (0.4) pts |
| Underlying operating income | 832 | (12.2) % | 554 | (15.9) % | 314 | (3.1) % |
| Underlying operating margin | 4.5 % | (0.8) pts | 5.0 % | (1.1) pts | 4.2 % | (0.3) pts |
| Diluted EPS | 0.52 | (13.9) % | | | | |
| Diluted underlying EPS | 0.53 | (12.1) % | | | | |
| Free cash flow | 428 | (14.8) % | | | | |

**U.S. and Europe comp sales were strong at on a 2-year comparable stack[1] basis**

**Group underlying operating margin strong, but YOY was unfavorably impacted by tough comparison due to operating leverage from higher sales related to COVID-19 in 2020**

[1] Two-year comparable sales stack is the comparable sales growth excluding gasoline in the current year period added to the comparable sales growth excluding gasoline in the prior year period. This measure may be helpful to improve the understanding of trends in periods that are affected by variations in prior year growth rates.

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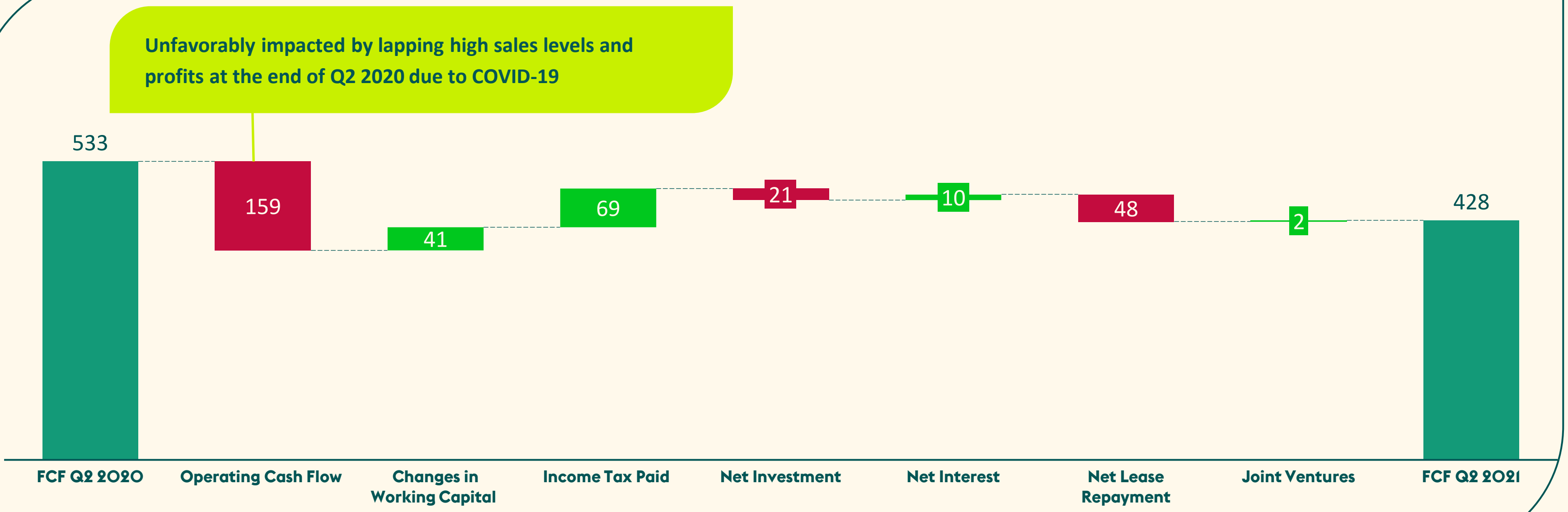
# Q2 Free Cash Flow remained strong in the quarter

## FCF Q2 2021 vs Last Year (in €m)



# 2021 Underlying margin and EPS outlook raised due to strong Q2 performance

- COVID-19 continues to create significant uncertainty in 2021 and created difficult prior year comparisons. The strong Q2 results provide management the confidence to raise the underlying operating margin and EPS outlook for the year
- Raising underlying operating margin outlook to be approximately 4.3% versus at least 4.0% previously; reflects the strong margin performance over the first half year. The outlook continues to reflect the effects of the cost savings largely offsetting cost pressures. COVID-19 costs are expected to continue at a lower level than 2020
- Underlying EPS guidance raised: now expected to grow in the high-teen range relative to 2019 versus low- to mid-teen single growth previously
- Free cash flow of ~€1.6 billion and capital expenditure of ~€2.2 billion are unchanged ; reflects higher investments in digital/omnichannel capabilities and for improvements due to recent M&A

| | Full-year outlook | Underlying operating margin[1] | Underlying EPS | Save for Our Customers | Capital expenditures | Free cash flow[2] | Dividend payout ratio[3] [4] | Share buyback[4] |
|---|---|---|---|---|---|---|---|---|
| **Updated outlook** | **2021** | **~4.3%** | **High- teen growth vs. 2019** | **> €750 million** | **~ €2.2 billion** | **~ €1.6 billion** | **40-50% pay-out; YOY growth in dividend per share** | **€1 billion** |
| Previous outlook | 2021 | At least 4% | Low- to mid-teen growth vs. 2019 | > €750 million | ~ €2.2 billion | ~ €1.6 billion | 40-50% pay-out; YOY growth in dividend per share | €1 billion |

1. No significant impact to underlying operating margin from returning to a 52-week calendar versus a 53-week calendar in 2020, though the return to a 52-week calendar will negatively impact net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 52-week basis.
2. Excludes M&A.
3. Calculated as a percentage of underlying income from continuing operations.
4. Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macroeconomic developments. The program is also subject to changes in corporate activities, such as material M&A activity

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# Wrap-up

- **Strong sales momentum continued in Q2** with sequential acceleration in two-year Q2 comparable sales stack vs. 2020
- **High growth in net consumer online sales of ~36% in Q2,** on top of ~88% growth in the year ago period; driven by 61% in the U.S. and ~27% in Europe
- **Solid underlying operating margin** in Q2, in the context of historical levels prior to COVID-19
- **Dutch regulator ACM approves Albert Heijn to acquire 38 DEEN stores;** still on track to close in 3Q 2021
- **Raising 2021 underlying operating margin and EPS outlook due to strong 2Q21 results;** Group underlying **operating margin raised to be approximately 4.3% ,** vs. at least of 4.0% previously; **EPS growth raised to high teen** vs. low-to-mid-teen previously; Group net consumer online sales outlook on track to be over 40% in 2021
- **Ahold Delhaize is one of the leading signers of the EU code of conduct for Responsible Food Business and Marketing,** as part of the European Green deal and pledges 10 commitments in the areas of healthier choices, product transparency, eliminating waste and climate impact for a sustainable food system
- **2021 interim dividend is €0.43** compared to 2020 interim dividend of €0.50, **based on the Group's interim dividend policy** of 40% payout of first half underlying income per share from continuing operations; payment date 2 September

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# Thank you

Proud companies of Ahold Delhaize