
Ahold Delhaize

# Ahold Delhaize Q3 2019 results

November 6, 2019

Ahold Delhaize


# Highlights

Frans Muller

President & CEO

# Ahold Delhaize reports strong third quarter results

- Net sales of €16.7 billion, up 2.9% at constant exchange rates
- Net consumer online sales up 29.5% at constant exchange rates
- Operating income of €679 million
- Underlying operating income of €724 million, underlying group operating margin of 4.3%
- Underlying EPS from continuing operations of €0.44, up 5% year-over-year
- U.S. comparable sales growth excluding gasoline +1.8%
- U.S. online sales growth accelerated to 26.3% at constant exchange rates in the third quarter

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# Financial Results

## Jeff Carr

## CFO

# Group performance

| € in million | Quarter 3 | | | |
|---|---|---|---|---|
| | **2019** | 2018 restated | Change actual rates | Change constant rates |
| **Net sales** | **16,689** | 15,780 | 5.8% | 2.9% |
| **Underlying EBITDA** | **1,410** | 1,348 | 4.6% | 1.8% |
| Underlying EBITDA margin | **8.5%** | 8.5% | | |
| **Underlying operating income** | **724** | 698 | 3.7% | 0.8% |
| Underlying operating margin | **4.3%** | 4.4% | | |
| Operating income | **679** | 671 | 1.1% | (1.7%) |
| Income from continuing operations | **453** | 477 | (5.0%) | (7.5%) |
| Underlying EPS from continuing operations | **0.44** | 0.42 | 5.2% | 2.3% |

# Performance by segment

€ in million

| | Quarter 3 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | USA | | The Netherlands | | Belgium | | CSE | |
| | 2019 | Change* Constant rates | 2019 | Change* | 2019 | Change* | 2019 | Change* Constant rates |
| **Net sales** | **10,252** | **2.0%** | **3,623** | **4.4%** | **1,253** | **2.1%** | **1,562** | **6.4%** |
| Operating income | 435 | 0.5% | 205 | 12.3% | 31 | (14.0%) | 44 | (29)% |
| **Underling operating income** | **448** | **(0.3%)** | **204** | **10.4%** | **36** | **(9.3%)** | **72** | **13.0%** |
| Underlying operating margin | 4.4% | (0.1) pts | 5.6% | 0.3 pts | 2.8% | (0.4) pts | 4.6% | 0.3 pts |
| **Comparable sales growth excluding gas** | **1.8%** | **(1.2) pts** | **3.0%** | **(2.9) pts** | **2.0%** | **1.4 pts** | **4.5%** | **3.9 pts** |

*Change versus restated Q3 2018 number

# Free cash flow

| € in million | Quarter 3 | | Year to date | |
|---|---|---|---|---|
| | **2019** | 2018 restated | **2019** | 2018 restated |
| Operating cash flow | 1,417 | 1,263 | 4,037 | 3,817 |
| Changes in working capital | (99) | 30 | (207) | (5) |
| Income tax paid – net | (16) | (38) | (334) | (132) |
| **Cash from cont. operations** | **1,302** | **1,255** | **3,496** | **3,680** |
| Capital expenditure | (540) | (415) | (1,561) | (1,082) |
| Divestments of assets | 18 | 3 | 67 | 20 |
| Dividends received | - | 1 | 17 | 17 |
| Net interest paid | (7) | (11) | (93) | (85) |
| Lease payments received | 21 | 23 | 69 | 63 |
| Repayment lease liabilities | (309) | (362) | (1,159) | (1,073) |
| **Free cash flow** | **484** | **494** | **835** | **1,540** |

# Outlook 2019

We reiterate the following 2019 guidance items:

- Underlying operating margin for the group in 2019 to be slightly lower than 2018
- Underlying earnings per share growth in 2019 in low single digits compared to 2018
- Group free cash flow of €1.8 billion (IFRS 16 definition) for the full year 2019
- Capital expenditure spend of €2.0 billion in 2019

We raise our target for Save for Our Customers in 2019:

- We now expect to deliver €600 million in cost savings in 2019, compared to €540 million previously. We continue to expect cumulative savings of €1.8 billion from 2019 – 2021


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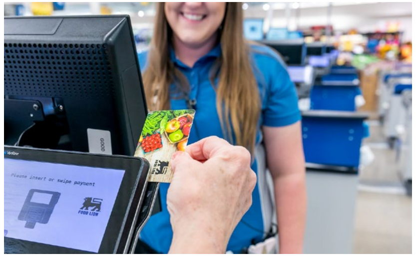
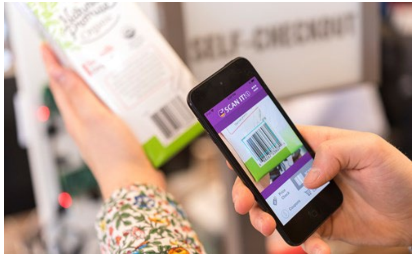
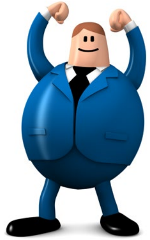
# Highlights United States

- Online sales growth accelerated to 26.3%. Goal of 600+ Click & Collect points by year-end was reached in October (537 points in the 3rd quarter)
- Food Lion posted 28th consecutive quarter of positive comparable sales growth and remodeled 115 stores in Virginia and South Carolina
- “Re-imagine Stop & Shop” off to a good start. 21 remodeled Long Island are performing inline with expectations; the 21 Hartford stores continue to improve, still outperforming comparable stores
- Frictionless checkout to be rolled out to 30 Stop & Shop, Giant Martins, and Giant Heirloom Market stores by year end, with more to come
- Fresh Kitchen facility in Rhode Island began ramping up in October; will develop own-brand meal solutions



# Highlights Europe



- Strong CSE sales growth driven by 4.5% comparable sales growth and 148 new stores in Romania, Greece, and Serbia
- Bol.com third party sales grew 60% YTD and has partnered with over 19,000 merchants in September
- Albert Heijn converted its 96th store to its new fresh and technology focused format. 120 stores expected in 2019, more planned in 2020
- Continued to invest in AI technology and talent with the “Kickstart AI” program; launched the AI for Retail Lab in Delft in October 2019, an expansion of the AIRLab Amsterdam (opened in April 2018)
- Albert Heijn will open its 5th home delivery fulfillment center (Home Shop Center) on November 12th; the facility is 20,000 square meters in size, with capacity to handle 40,000 orders a week

# Wrap-up

- Strong third quarter sales results in the US, Netherlands, and CSE, with comparable sales growth of 1.8%, 3.0%, and 4.5%, respectively
- Global net consumer online sales up 29.5% at constant exchange rates, with US online sales growth accelerating to 26.3% at constant exchange rates in the third quarter
- “Re-imagine Stop & Shop” program off to a good start, with the remodeled Long Island stores performing in line with expectations and the remodeled Hartford stores improving
- Save for our Customers target raised to €600 million in 2019, with incremental savings invested in our brands

# Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as outlook 2019, guidance, to be, target, expect to deliver, continue to expect, expected, by year end, planned, will 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; natural disasters and geopolitical events; 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.