Ahold Delhaize

Ahold Delhaize Q1 2019 results

May 8, 2019

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Highlights

Frans Muller

President & CEO

A solid quarter with growth in sales and net income

- Net sales of €15.9 billion, up 1.5%, at constant exchange rates, impacted by Easter
- Net consumer online sales up 25.0% at constant exchange rates
- Underlying operating margin of 4.4%, stable compared to same quarter last year
- Net income of €435 million, up 2.4% at constant exchange rates
- Good performance in the U.S., not yet impacted by Stop & Shop strikes
- Solid results in the Netherlands, with bol.com net consumer sales up 35.2%

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Financial Results

Jeff Carr

CFO

Group performance

€ in million	Quarter 1			
	2019	2018*	Change actual rates	Change constant rates
Net sales	15,878	14,933	6.3%	1.5%
Underlying EBITDA	1,356	1,296	4.6%	(0.4%)
Underlying EBITDA margin	8.5%	8.7%		
Underlying operating income	695	651	6.8%	1.4%
Underlying operating margin	4.4%	4.4%		
Operating income	675	623	8.3%	2.9%
Income from continuing operations	436	403	8.1%	2.5%

*Restated IFRS 16 numbers

Performance by segment

Good performance in the U.S., solid performance in the Netherlands

€ in million

	USA		The Netherlands		Belgium		CSE	
	2019	Change* Constant rates	2019	Change*	2019	Change*	2019	Change* Constant rates
Net sales	**9,666**	**1.1%**	**3,528**	**3.5%**	**1,217**	**(2.2)%**	**1,466**	**2.4%**
Operating income	461	7.9%	173	0.6%	29	12.7%	47	(11.3)%
Underlying operating income	**475**	**7.5%**	**175**	**(1.1)%**	**29**	**0.2%**	**47**	**(12.3)%**
Underlying operating margin	4.9%	0.3 pts	5.0%	(0.2) pts	2.4%	0.1 pts	3.2%	(0.5) pts
Comparable sales growth excl gas	**1.2%**	**(1.6) pts**	**2.9%**	**(0.3) pts**	**(2.3)%**	**(6.4) pts**	**0.8%**	**0.1 pts**

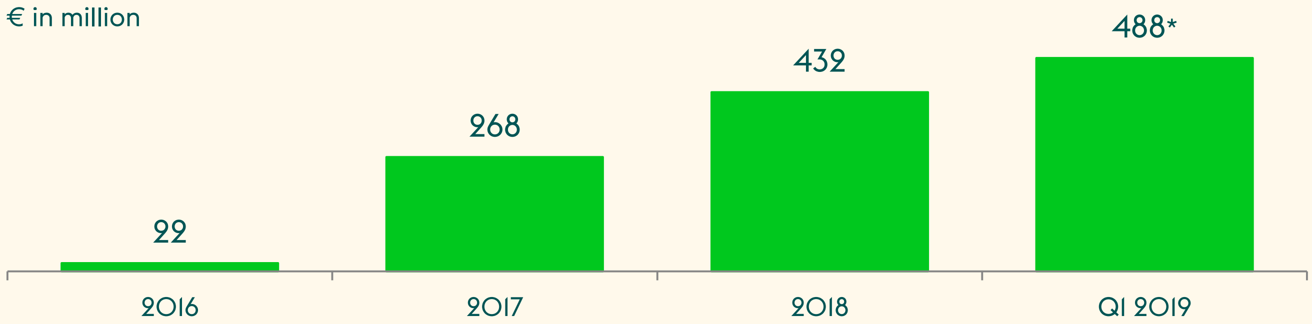
*Restated IFRS 16 numbers

Synergy savings

Target of €500 million net synergies expected to be reached in Q2 2019

€ in million	Quarter 1 2019	Quarter 1 2018
The United States	81	66
Europe	30	25
Global Support Office	11	9
Total	122	100

Cumulative net synergies 2016 – 2019



*Annualized run rate based on Q1 2019

Free cash flow

Negative FCF due to timing of Easter, higher CAPEX and income taxes paid

€ in million	Quarter 1	
	2019	2018*
Operating cash flow	1,337	1,279
Changes in working capital	(394)	(199)
Income tax paid – net	(226)	(34)
Cash from cont. operations	**717**	**1,046**
Capital expenditure	(452)	(303)
Divestments of assets	10	13
Net interest paid	(20)	(15)
Lease payments received	26	20
Repayment lease liabilities	(417)	(363)
Free cash flow	**(136)**	**398**

*Restated IFRS 16 numbers

Outlook 2019

- We confirm our target for 2019 of realizing €750 million gross synergies, resulting in €500 million net synergies from the integration of the two companies
- We expect to save €540 million in 2019 as part of our €1.8 billion Save for Our Customers program for 2019-2021
- Related to strikes at Stop & Shop, we expect full year group margins to be slightly lower compared to last year
- Underlying earnings per share from continuing operations has been revised and is expected to grow by low single digits compared to last year
- Free cash flow is unchanged and expected to be around €1.8 billion (IFRS 16 definition) for the full year

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Highlights

Frans Muller

President & CEO

Stop & Shop update

- New labor contract ratified by UFCW members
- Total labor cost increases in line with inflation
- Sales miss of $200 million during strike, with $90 to $110 million loss of operating profit
- After strike, customers returning to our stores and sales levels continue to ramp up
- Re-imagining Stop & Shop:
  - learnings from 21 Hartford stores
  - Long Island NY 22 stores, opening June–August
  - awaiting FTC approval King Kullen acquisition

Highlights United States

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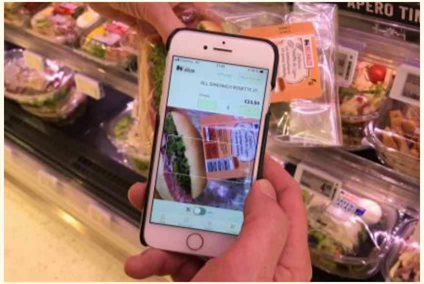
- Food Lion invests $158 million to remodel 92 stores in South Carolina as well as $40 million to remodel 23 stores in Virginia to its “Easy, Fresh and Affordable” program in 2019
- Giant/Martins launched “Giant Direct”, its new online brand and opened an eCommerce hub in Lancaster PA in partnership with Peapod Digital Labs
- Giant Food launched ‘Nutrition Made Easy’, a new podcast for customers and associates who want to eat better or know more about how food affects health and wellness, hosted by Giant’s own nutritionists
- Hannaford had nearly 1.2 million customers signed up to its My Hannaford Rewards loyalty program, a new and personalized way to save money and rewarding customers for buying our own brands

Highlights Europe

- Albert Heijn launched Prijsfavorieten (“Price Favorites”), 1,000+ fresh and non-perishable popular high quality products at everyday low prices and will further extend this range in 2019
- Ah.nl plans to open a fifth fulfillment center in Q3 2019 and is expanding the number of distribution hubs with smaller trucks to make city deliveries
- Bol.com celebrates its 20th anniversary and realized a net consumer sales increase of 35.2% in the quarter
- Delhaize enhances speed and convenience with the “YesWeScan” payment App at its Fresh Atelier store in Brussels, rolled out to other locations in 2019
- Mega Image, in Romania, agreed to acquire Zanfir, a supermarket chain with 10 stores in the Vrancea county



Wrap-up

A solid quarter with growth in sales, UOP and net income at constant rates

- Net sales of €15.9 billion, up 1.5%, at constant exchange rates, impacted by Easter
- Net consumer online sales up 25.0% at constant exchange rates
- Underlying operating margin of 4.4%, stable compared to same quarter last year
- Q2 results impacted by one-off UOP loss of $90 to $110 million due to Stop & Shop strikes
- New labor contract ratified by UFCW members
- Total labor cost increases in line with inflation
- Guidance on outlook 2019 of April 23 reiterated

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, target, expect, plans to, to be, guidance 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 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 inability to pass on costs 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.