



Dia 



XXI SANTANDER IBERIAN CONFERENCE
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- Company introduction
- Final overview of DIA France's disposal, closed on 30 November
- Outlook: the Spanish food retail market and DIA Spain's performance
- Present the two recent corporate transactions announced in Spain and explain DIA's rationale and strategy:
 - A company deal, El Arbol: 451 stores
 - An asset deal, Eroski/Caprabo: 160 stores
- Explain the integration process and the expected impact on the company's sales and profits

Delivering on our goals

We said we would...

Focus on our core markets, where we deliver profitable growth

Accelerate growth in Iberia and Argentina & Brazil

Continue to enrich and improve our portfolio of proximity formats, becoming more specialist

...and, since 2011 we have...

- ✓ ... successfully exited Turkey in 2013
- ✓ ... and France in 2014

- ✓ Delivered solid organic growth in Brazil & Argentina (~EUR730m additional net sales)
- ✓ Increased sales by ~EUR600m in Spain (close to 4% CAGR 2011-14)

- ✓ Launched Clarel, specialist in HPC
- ✓ Added a new supermarket platform, a specialist in fresh products with more than 600 stores
- ✓ Successfully implemented the new DIA Market III version in Spain

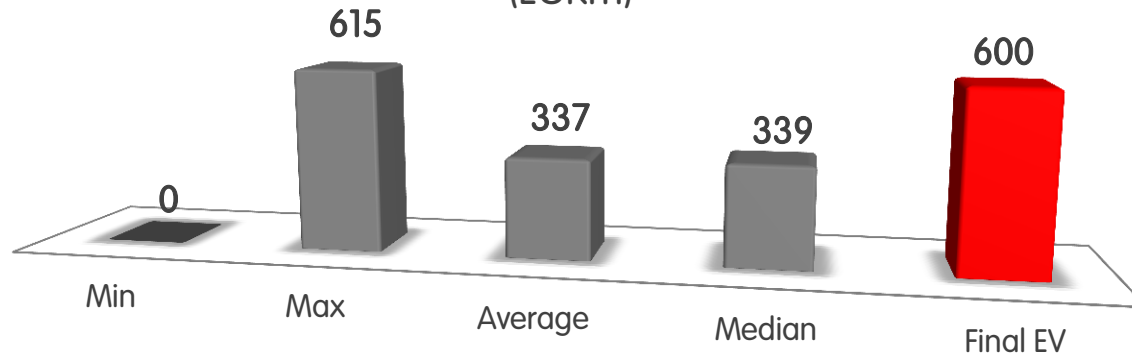
/ Disposal of DIA France



Transaction highlights: DIA France

- DIA France: 865 stores and EUR1.9bn net sales in 2013
- Carrefour acquired 100% of DIA France, transaction closed 30 Nov:
 - Total debt reduction EUR626m
 - Net financial debt EUR336m
 - Purchase price EUR283.2m
 - *Tax credit EUR 185m (to be captured from 2014)*
- Price exceeded market expectations
 - EV/Sales 2013 : 0.3x
 - EV/EBITDA 2013: 10x

Consensus EV of DIA France prior to the deal (EURm)



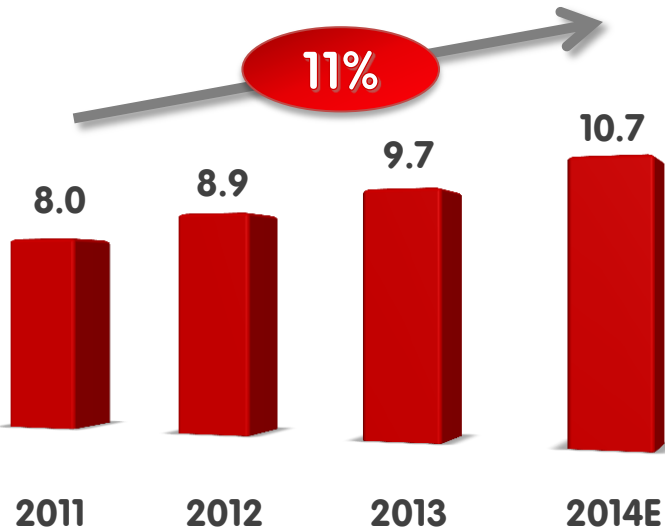
Source: Market consensus estimates (January 2014 to June 2014)

Transaction highlights: DIA France

- *"A surprisingly good price" (JP Morgan)*
- *"There is no disputing DIA has negotiated a great price with deal risks largely passed to Carrefour." (Exane-BNP)*
- *"It looks like an ideal exit for DIA" (Société Générale)*
- *"Both the market and us have been frustrated with the lack of progress made by DIA for a while in France. But patience of CEO Ricardo Curras and CCO Amando Sánchez has paid off." (Macquaire)*
- *"We are surprised that DIA has managed to extract such a high price from Carrefour, especially given the deterioration in operating performance." (Macquaire)*
- *"DIA management has now exited Beijing, Turkey and France, is now focussed on EM growth and highly profitable Iberian business." (Santander)*
- *"Contrary to market expectations, Dia's assets in France have found a buyer and at a price well in excess of the market's worst-case scenario" (Natixis)*
- *"DIA's management has been showing a high restructuring focus solving some problematic issues (Turkey, France) in a remarkable timeframe and surprising positively in terms of asset valuation." (BPI)*

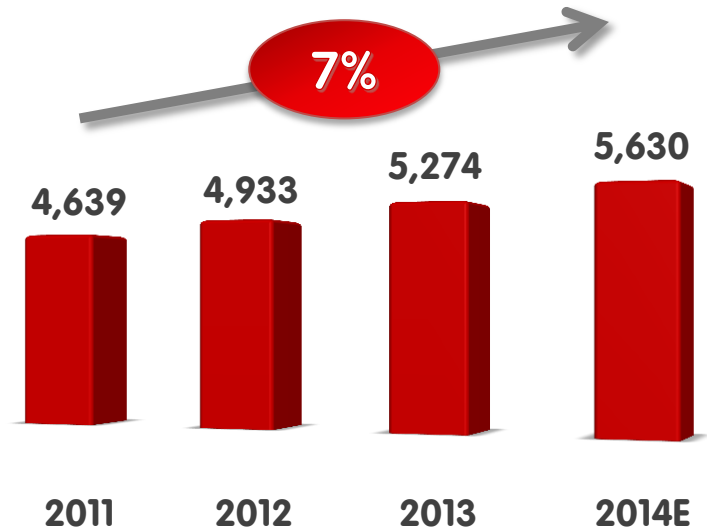
DIA is today focusing on accelerating profitable growth in Iberia, Brazil and Argentina

DIA gross sales under banner¹ (EURbn)



*At constant currency
(1) pro forma excluding divestments and acquisitions*

Number of DIA stores¹



(1) pro forma excluding divestments and acquisitions

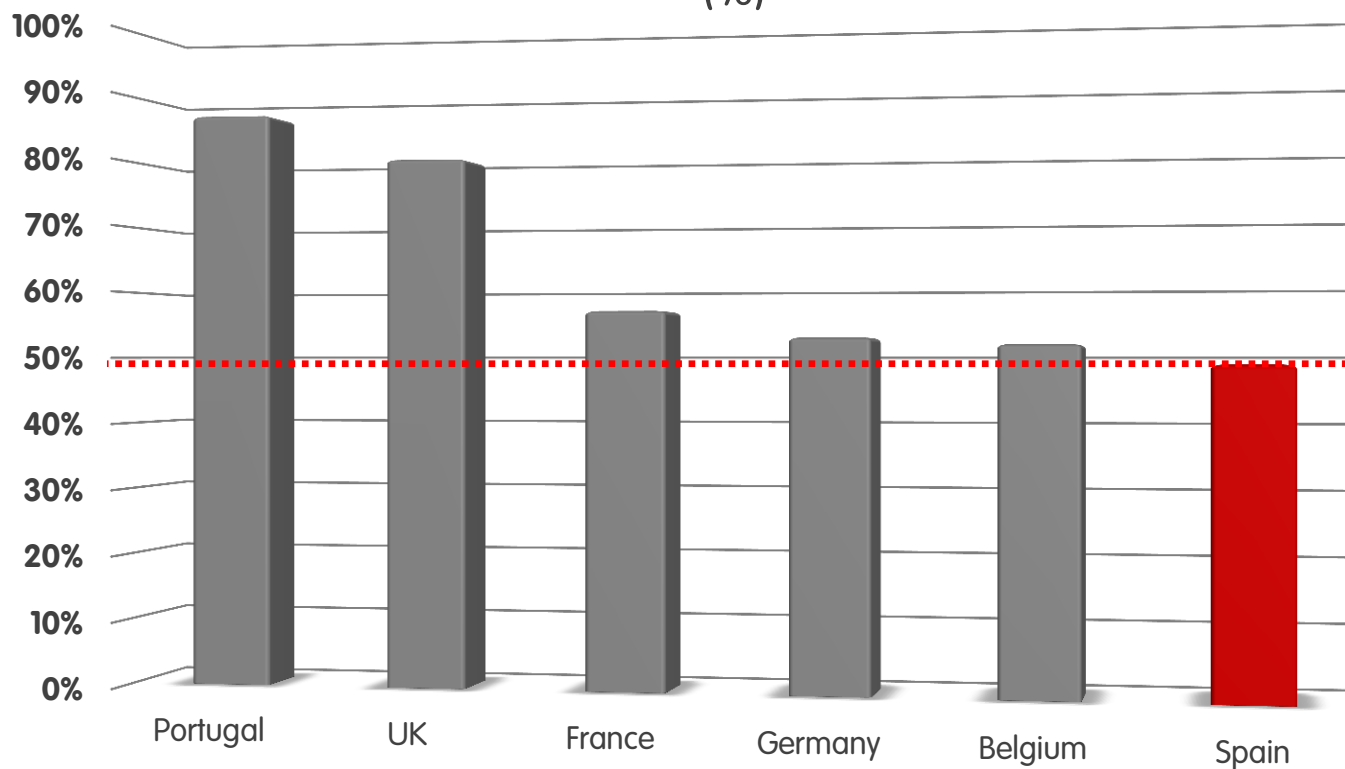
Following the divestment of DIA France, the company is fully focused on its core markets (Iberia and LatAm) where DIA has a track record of profitable organic growth, high returns and market share gains

/ Market context: Spanish Food Retail



Spanish food retail market remains very fragmented

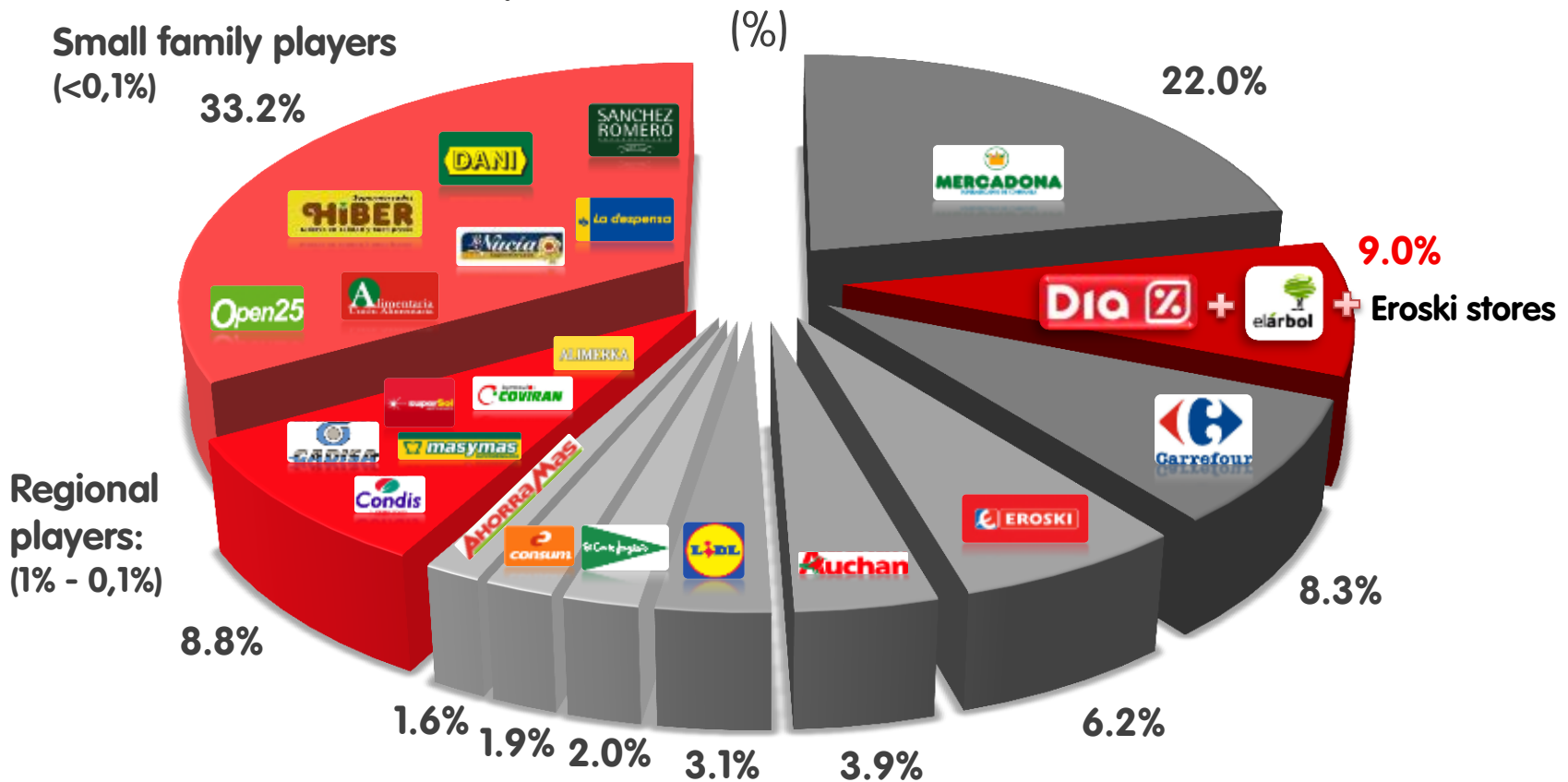
Top 5 food retailers market share per country (%)



Source: Kantar

Small regional and local chains account for 42% of the market

Spanish food retail market (%)

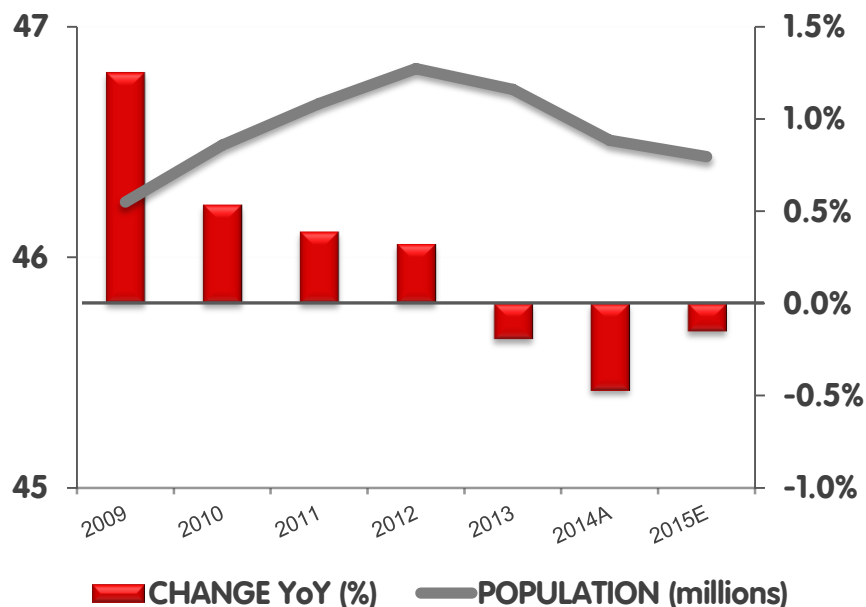


Source: Kantar, 12 months rolling P11 2014, including dry food and fresh

After several years of weak consumption, many small players are facing big difficulties generating profits and staying in business

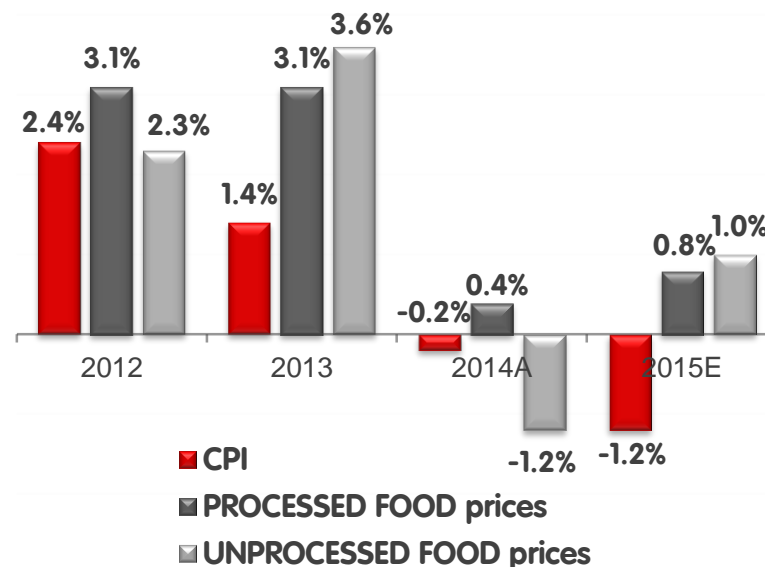
2015 should be a better year in Spain after a perfect storm in 2014: food CPI is expected to rebound and the population decline is set to ease

Spain - population



Source: INE, October 2014

Spain CPI



Source: Funcas, November 2014

In 2015, the decline in population is due to ease and inflation should return to food products

There are signs that the market should improve in 2015

- Spain's GDP growth should be above 2% next year¹ (versus 1.4% in 2014), positioning Spain among the fastest-growing economies in the eurozone in 2015.
- In recent months, Spain has increased flexibility in various areas (labour, real estate, energy) creating a favorable economic environment.
- The consumer confidence index has improved significantly, now reaching over 80% versus less than 40% two years ago.
- A series of fiscal measures will come into effect in 2015 (reduction of income tax rates, increase in minimum social income, etc...), which, together with the strong decline in oil prices, should contribute to the increase of Spanish consumers' available income.
- The labour market in Spain has been clearly improving since the end of 2013. In 2014, around half a million of people found new jobs in Spain.

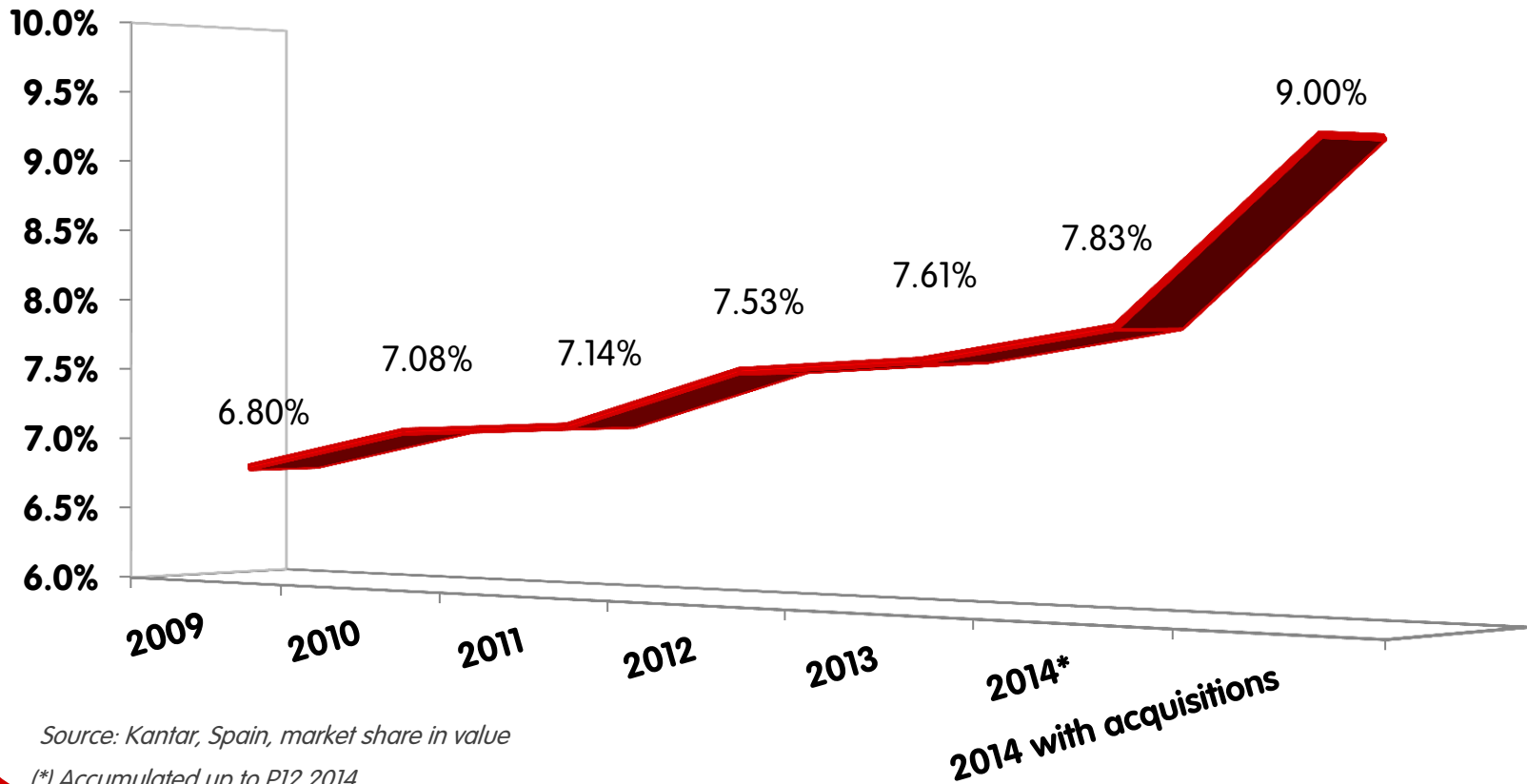
1 Consensus (Spanish Central Bank, Government, BBVA, Santander, etc.) at 2.0% as of Dec 2014; IMF estimate at 1.7% as of Dec 2014

DIA Spain overview



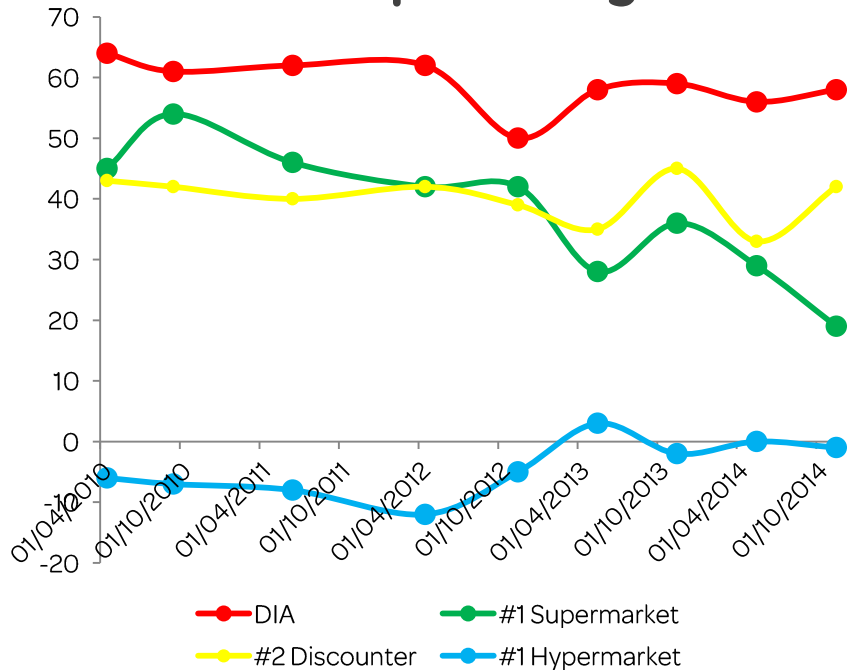
DIA has continuously gained market share in Spain

DIA Spain - market share performance



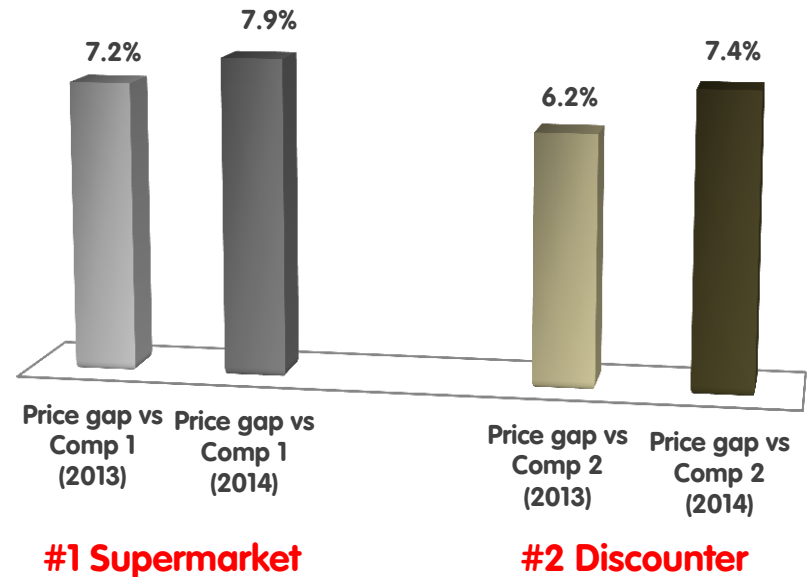
DIA maintains its undisputed price leadership in the Spanish market...

Clear leader in price image in 2014



Source: Nielsen, Spain

Increasing price gap in 2014 by circa 100bps

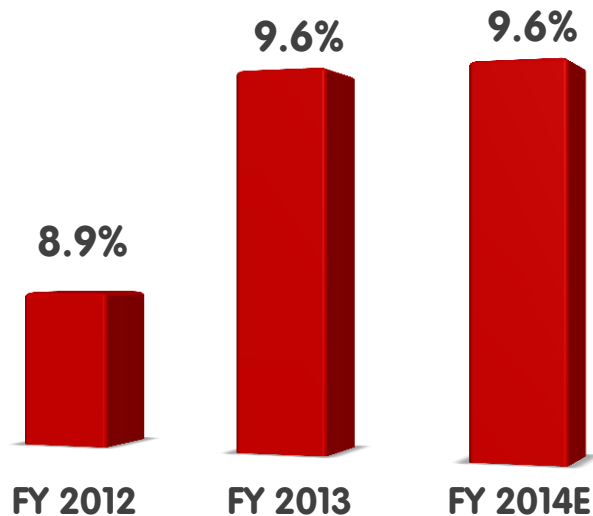


Source: DIA

...while maintaining healthy operational margins

DIA Iberia - adjusted EBITDA

% over net sales



Source: DIA

Improvement levers – not exhaustive

Costs savings since 2011¹

- -30bps in energy costs
- -20bps in real estate costs
- -50bps in logistic costs

Franchise

- Around 500 franchised stores added in Iberia between 2011 and 2014 (+35%)
- Franchises lead to significant margin uplift versus integrated model

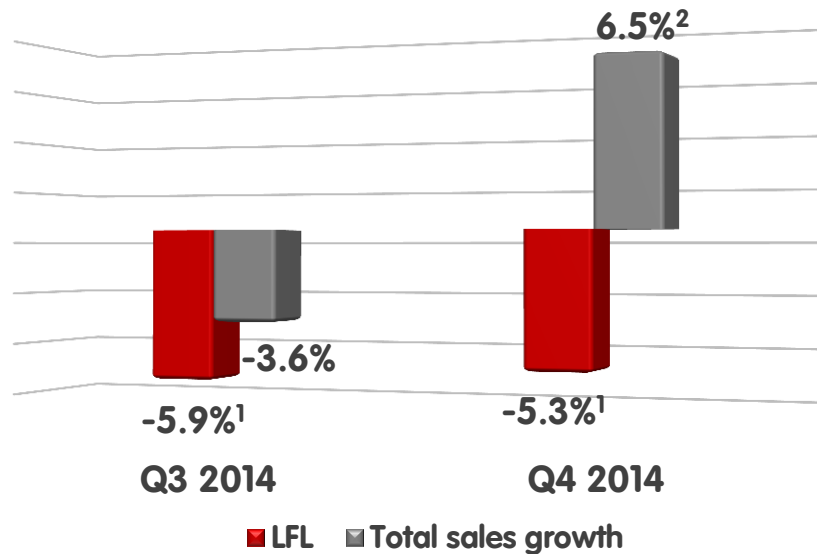
1 estimated impact over Spain net sales 2011-2014

Source: DIA

DIA has proven its ability to reduce costs and sustain margins even in a context of declining sales. It benefits from its distinctive operational expertise and higher flexibility in the labour and real estate markets

Despite negative LFLs DIA gained market share in Spain in 2014

DIA Spain (% YoY)

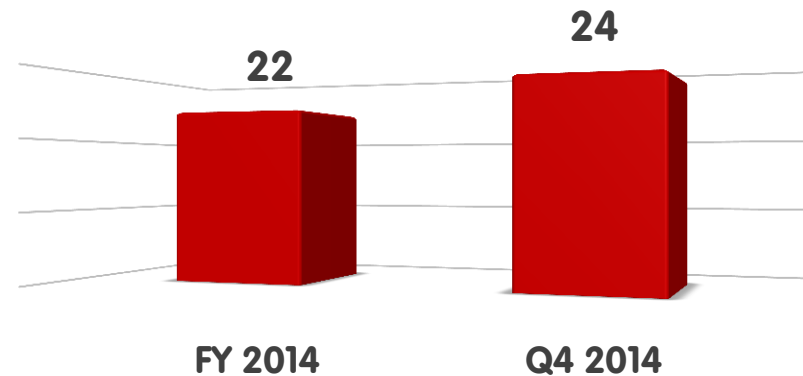


Source: DIA

(1) Calendar-adjusted

(2) Includes two months' contribution of El Arbol

Market share gain (bps)



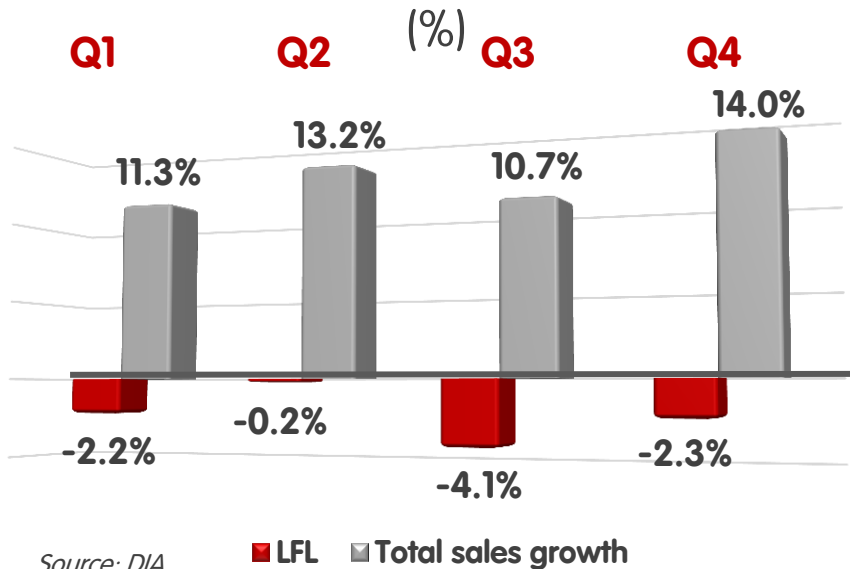
Source: Kantar

Accumulate up to P12 2014 (excluding El Arbol)

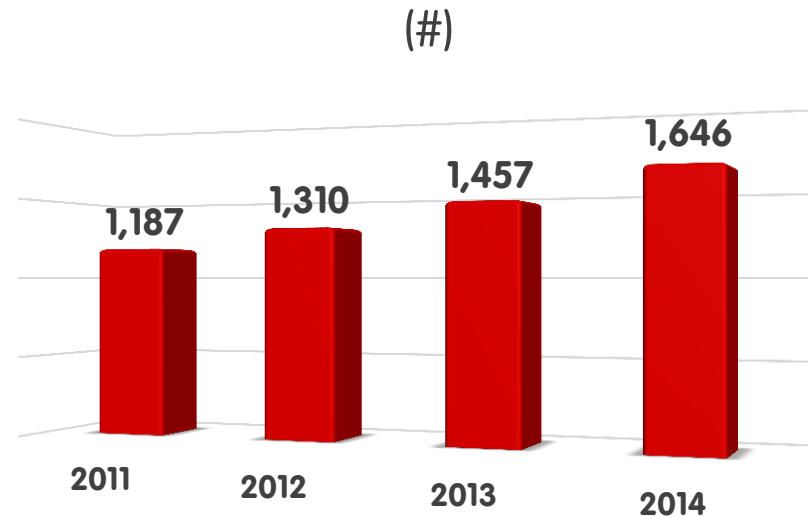
LFL were negative in 2014 as a result of population decline, price deflation, price investment, and profitable expansion. However, DIA Spain continued to gain market share during 2014

DIA is the undisputed food retail franchise platform in Spain

DIA Spain 2014 - franchised sales



DIA Spain franchised stores



- DIA franchisees have clearly outperformed the market (-2.2% LFL FY 2014)
- DIA strongly believes the franchised model is the best operating format for proximity food retail stores, as it brings flexibility and operational efficiency as well as a unique customer experience
- Satisfaction Survey shows in 2014 no change in franchisee satisfaction: 56% of DIA franchisees would recommend the franchise to others, and up to 37% see themselves opening new franchises in the near future

DIA Spain has launched a series of initiatives to boost sales growth in 2015

DIA 

Format innovation and store remodelling

- DIA Market III in Spain
- New DIA Maxi model
- Completion of the transformation plan from Schlecker to Clarel stores



New supermarket platform

- Over 600 stores (El Arbol + Eroski stores)
- With a distinctive fresh offer, in particular in fish and meat



Private Label

- Full Bonté (HPC) range developed (460 SKUs)
- Introduction of the new PL brand: Delicious



Other

- Coupons available via the DIA App
- Advocacy plan: "Demos la vuelta al DIA"



/ Acquisitions in Spain: El Arbol and 160 Eroski stores



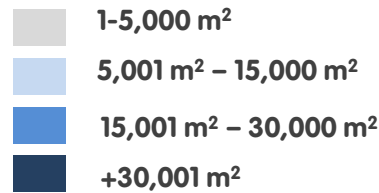
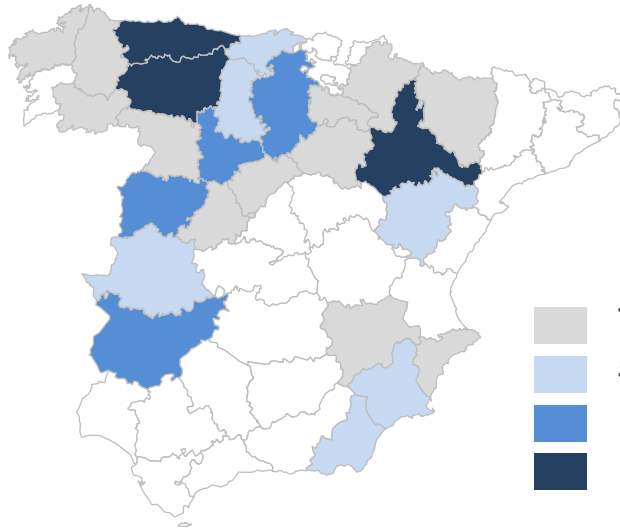
Company overview

- Regional supermarket chain - strong presence in northwest regions of Spain
 - #1 food retailer in Aragón and in Castilla y León
 - Large fresh offer (~50% of sales)
- Key figures
 - 451 stores
 - National headquarters in Valladolid and six regional headquarters
 - ~7,000 employees
- Company facing serious difficulties with declining sales and profitability
 - EUR822m net sales in 2013
 - EUR725m net sales in 2014 (-11.8%)
 - Negative EBITDA in 2013 and 2014

Transaction summary

- DIA acquired 100% of El Arbol
- For an Enterprise Value of EUR114m
 - Fixed price: EUR21m
 - Net debt: EUR93m
- Variable price: EUR25.8m, based on LFL sales CAGR over a 5-year period (0% if <7.5%; 100% if >12.5%)
- Transaction closed on 31 October 2014
- 7 stores to be divested (out of 451) according to the approval of the Spanish antitrust authorities (CNMC).
- Completion of the integration within the next 6-12 months

El Arbol: company overview



Location	# stores
Andalucía	23
Aragón & Navarra	68
Asturias & Galicia	119
Extremadura	43
Castilla La Mancha	2
Castilla León	160
La Rioja, Valencia, Murcia & Cantabria	36
TOTAL	451

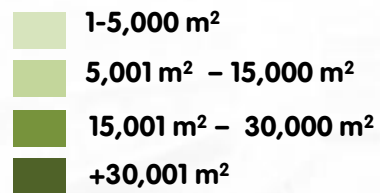
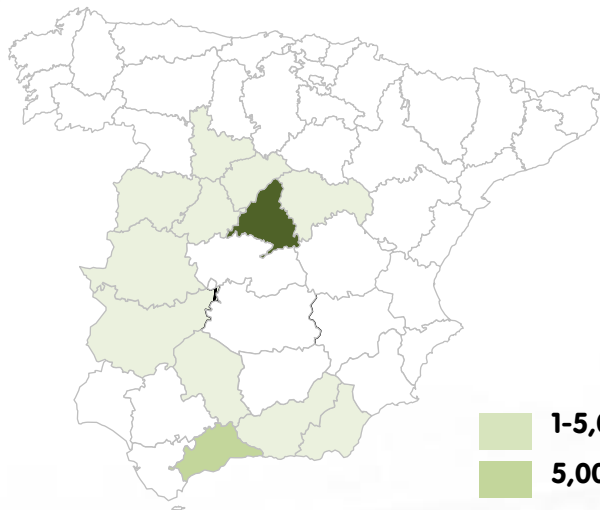
Stores overview

- 160 Eroski-Caprabo supermarket stores
 - 108 located in Madrid
 - 20 in Castilla y León, 2 in Castilla La Mancha
 - 30 in the South, mainly Andalucía
 - ~2,500 store employees
- EUR360-380m of net sales FY pro-forma (E)

Transaction summary

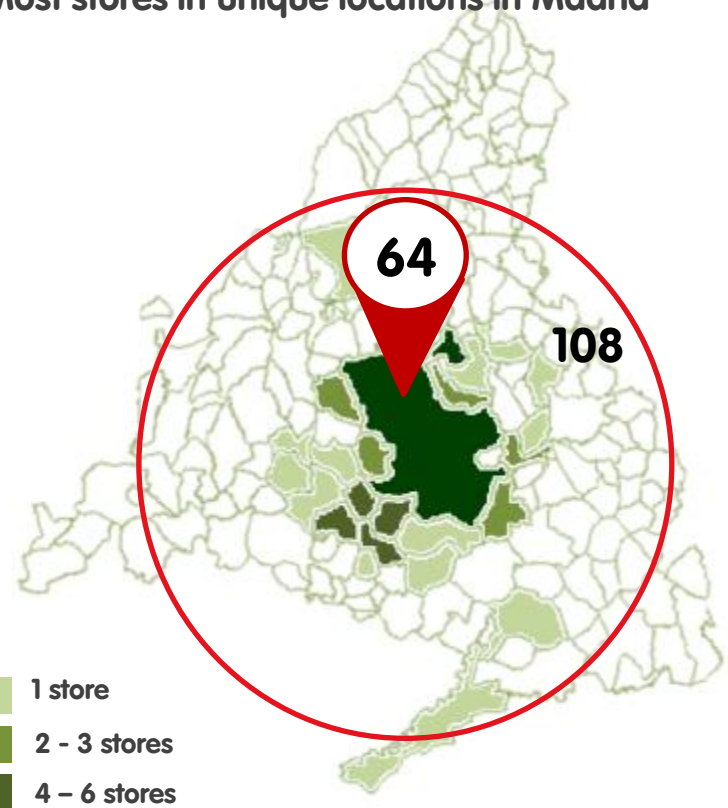
- Asset deal : DIA is to acquire up to 160 Eroski-Caprabo supermarkets
- Enterprise Value of EUR146m (including EUR27m of real estate)
- Agreement signed on 4 November 2014, pending approval from antitrust authorities (CNMC)
- Completion of the integration expected within 6 months after closing

Eroski stores acquisition

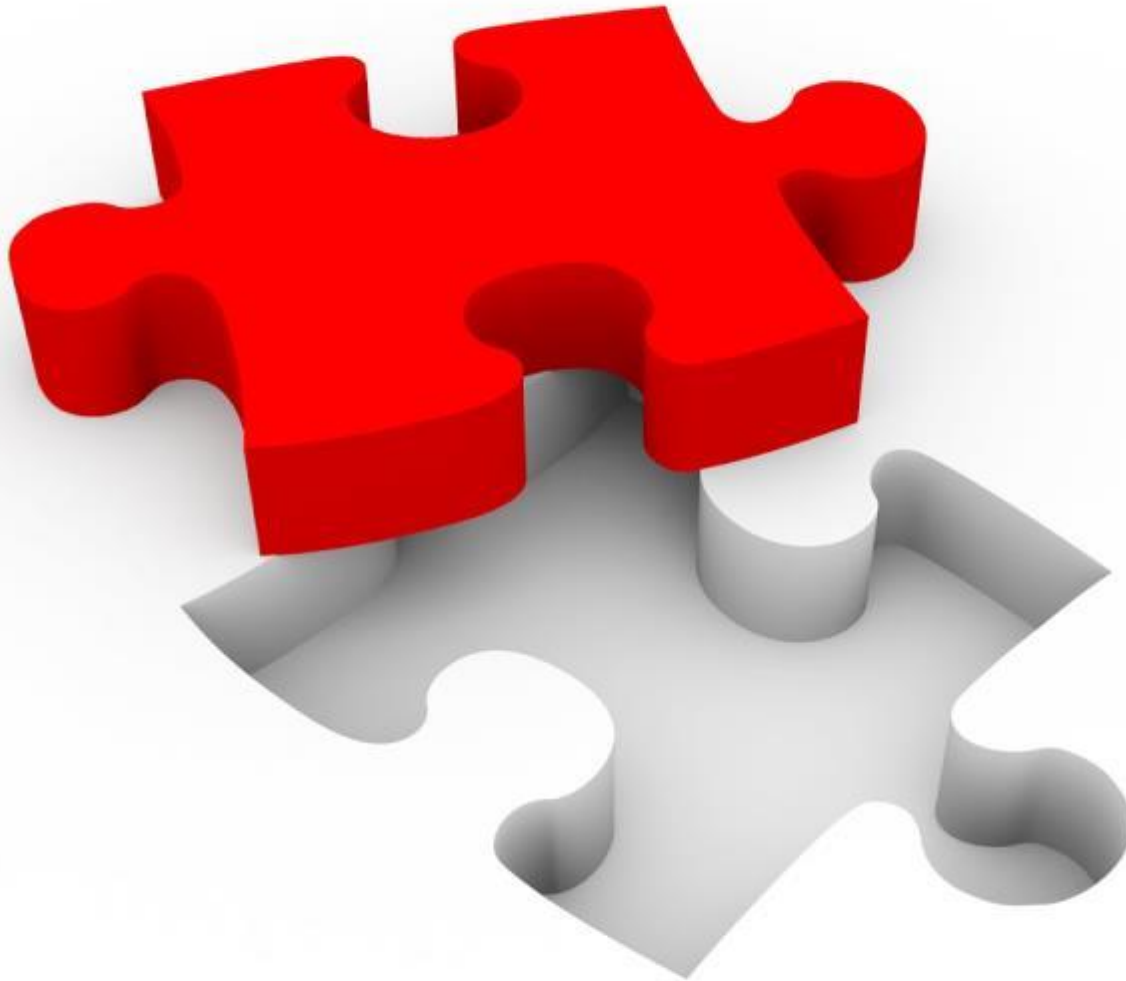


Location	# stores
Andalucía	24
Extremadura	6
Madrid	108
Castilla La Mancha	2
Castilla León	20
Total	160

- Very good location: high streets, prime locations
- High-performing stores
- Most stores in unique locations in Madrid



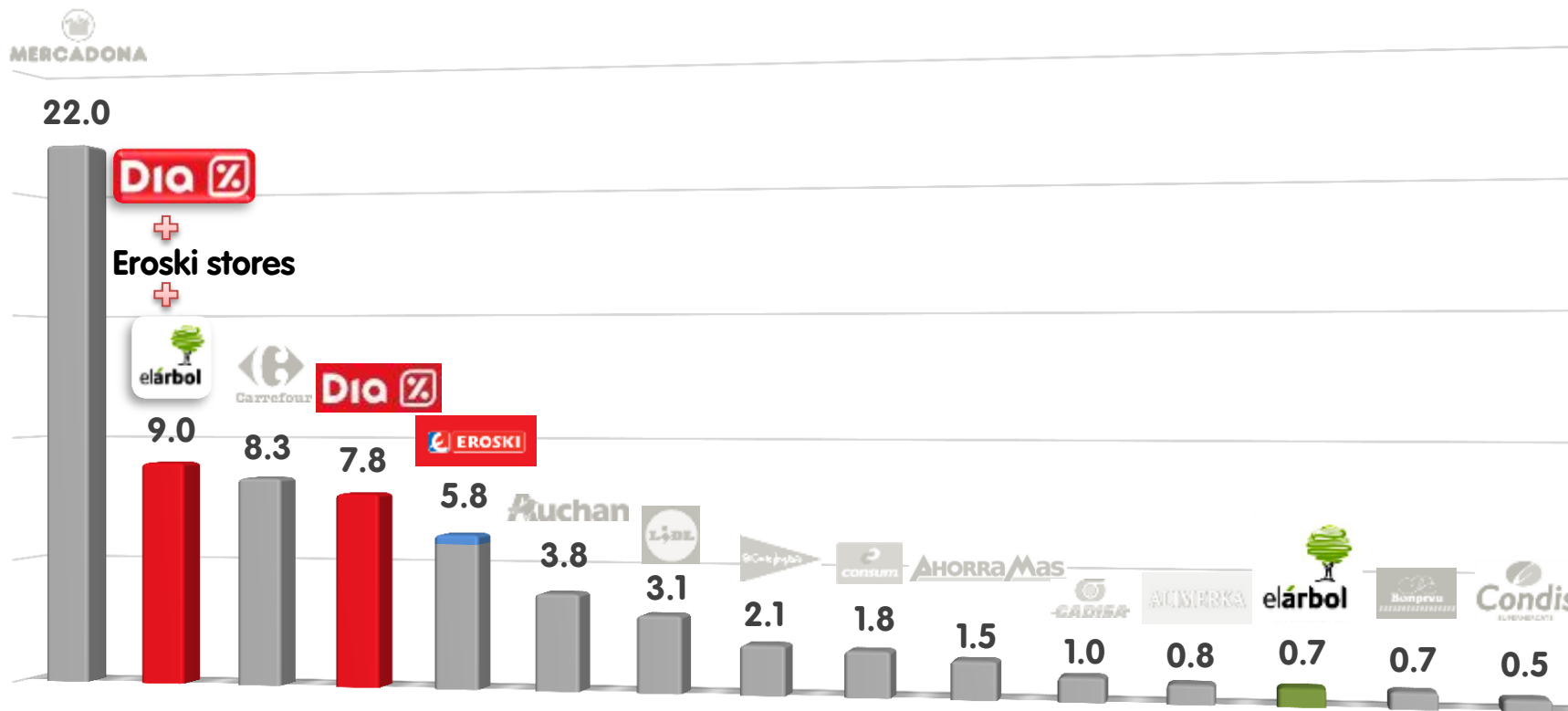
/ Integration considerations



- Capture net sales of EUR1.1bn for a blended EV/Sales ratio of 0.2x
- Become #2 in Spain with a reinforced leadership in proximity stores
 - Gain over 1 percentage point market share to >9% (in value)
 - Immediate gain in volume (+28% in Spain)
 - Strengthen DIA's position with key suppliers in declining Iberian market
- Acquire know-how in key perishable offer, in particular in fish and meat
- Add a new promising supermarket platform, in a context where customers are looking for proximity, price and quality fresh products
- Capture significant value through sales growth and synergies
 - Sales growth by introducing DIA brand in the stores, lowering prices, implementing more promotions, etc.
 - Anticipated substantial cost reduction opportunities (headquarters, logistics, store operations, purchasing...)
 - Future potential upside to be captured with the franchise operating model
- Taking advantage of low funding rates (5 year @ 1.5% cost)

DIA: #2 player in Spain's food retail market by sales

Spain's food retail market share Value (%)



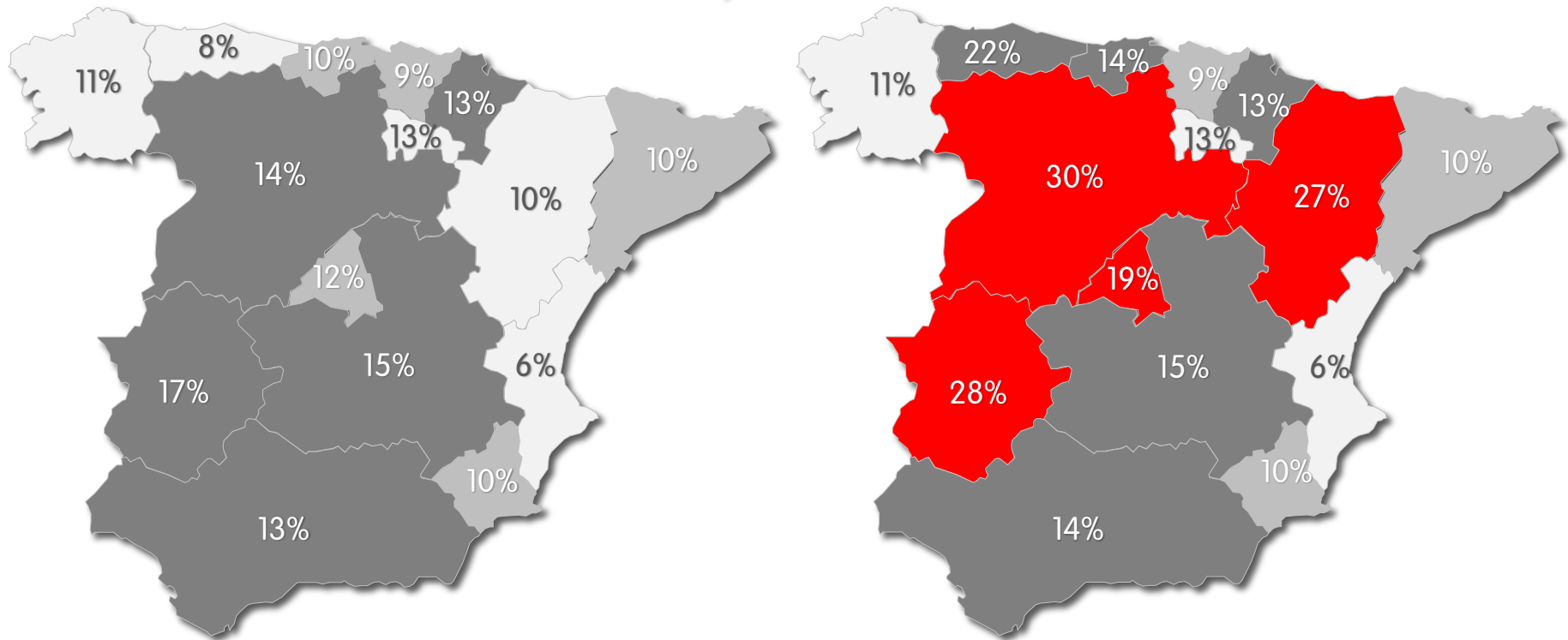
Source: Kantar, Spanish food retail market, P 12 2014, rolling twelve months

DIA becomes #1 retailer in several regions

DIA 's store selling area in mainland Spain (%)

From...

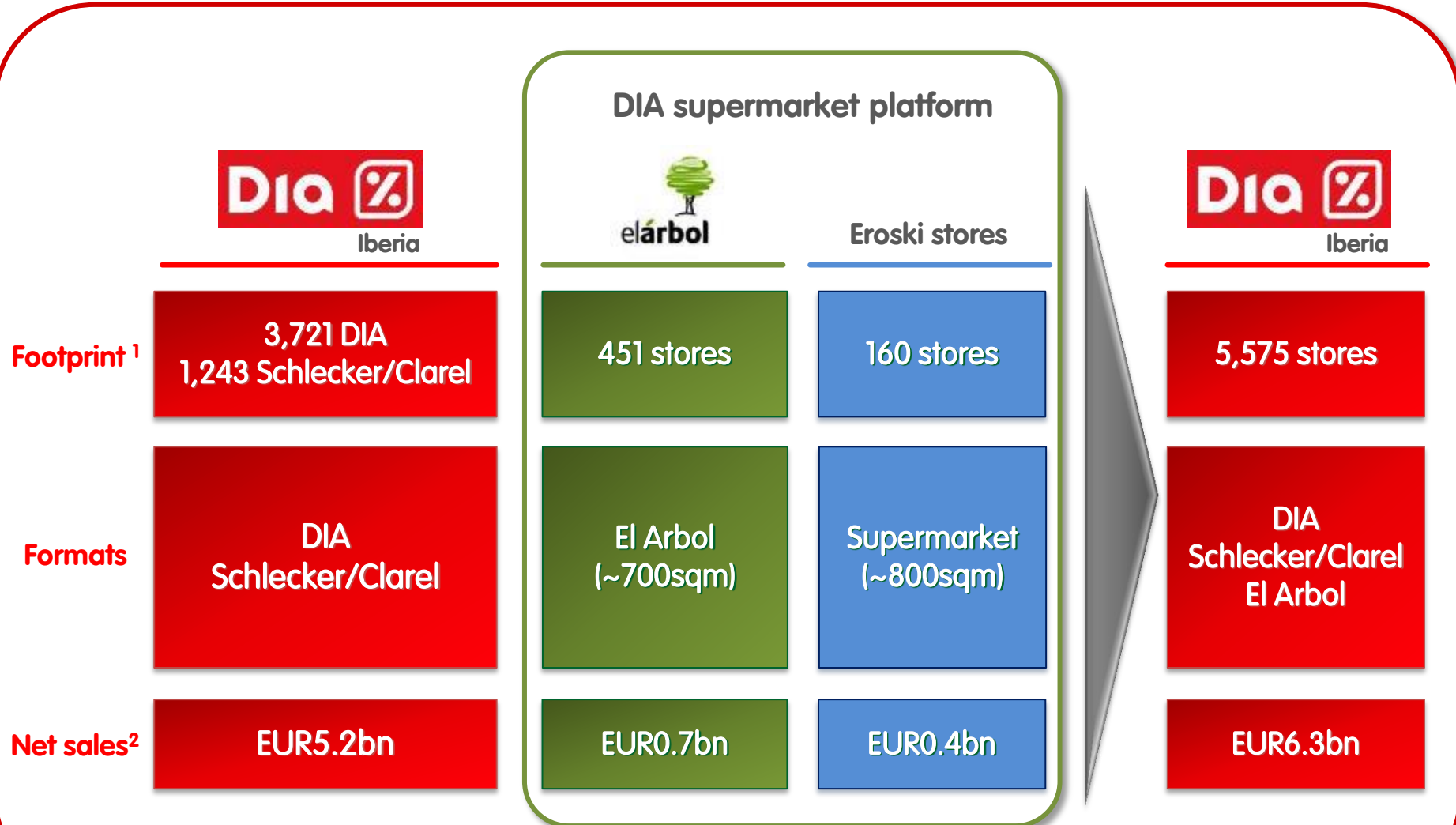
To...



■ #1 retailer in the region
 ■ #2 retailer in the region
 ■ #3 retailer in the region

Source: Alimarket, as of December 2013; franchises are included

A new supermarket platform of over 600 stores and EUR1.1bn sales



¹ DIA stores as of the end of 2014

² DIA Iberia FY2014(E); El Arbol FY2014(E); Eroski stores FY proforma (E)

Capturing relevant know-how in key perishable offer such as fish and meat



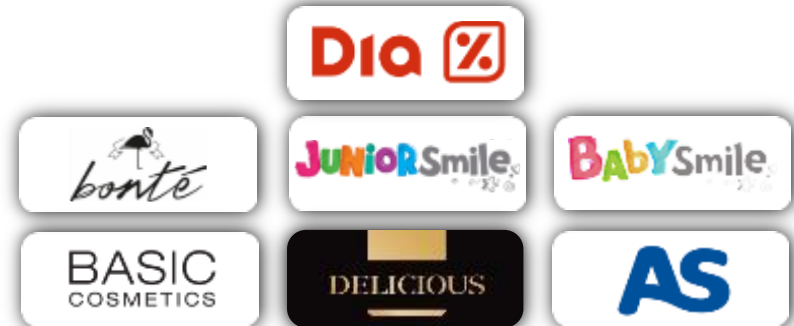
Enhanced commercial proposition to drive sales growth

Lower prices



- 6.8% price decrease (average)
- Integrated promotion calendar, including DIA Private label

DIA Private Label brands



- Strong Private Label brands
- Wide range of products
- Better prices

Large and high-quality fresh offer



- Maintaining a large and quality fresh offer with assisted sales

Loyalty card



- Supplier investments
- DIA intelligence

El Arbol should bring significant volume of synergies

Integration synergies

>EUR30m on a FY basis

Taxes

EUR380m of tax losses carry forward

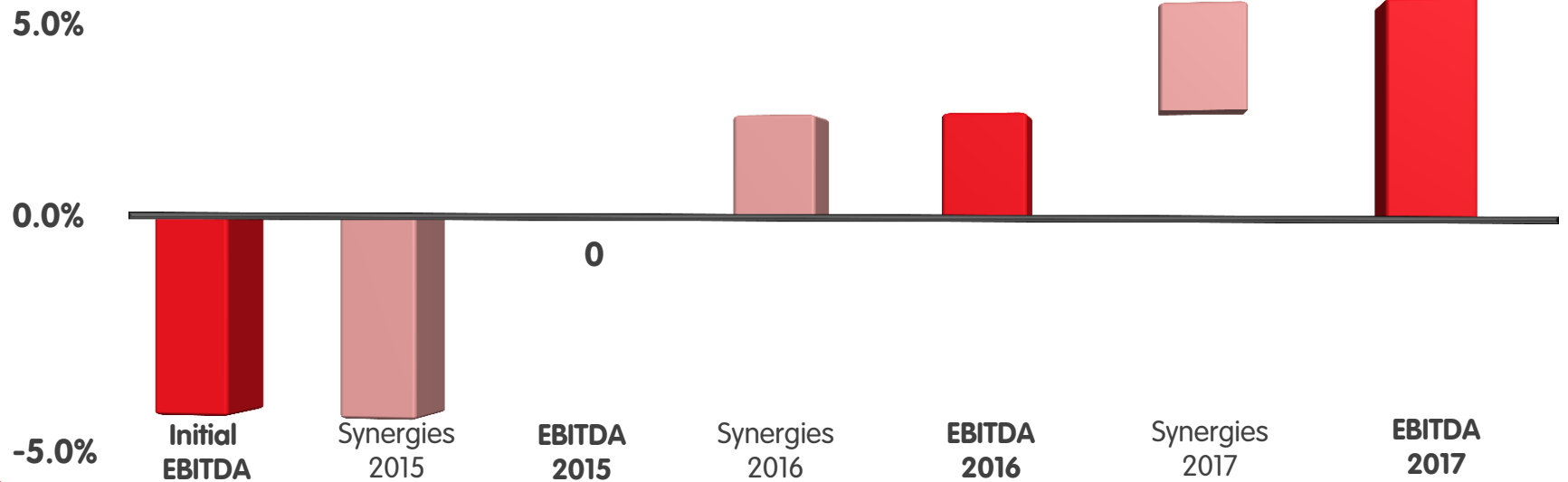
Integration one offs

EUR20-30m cumulated 2014-15

Capex

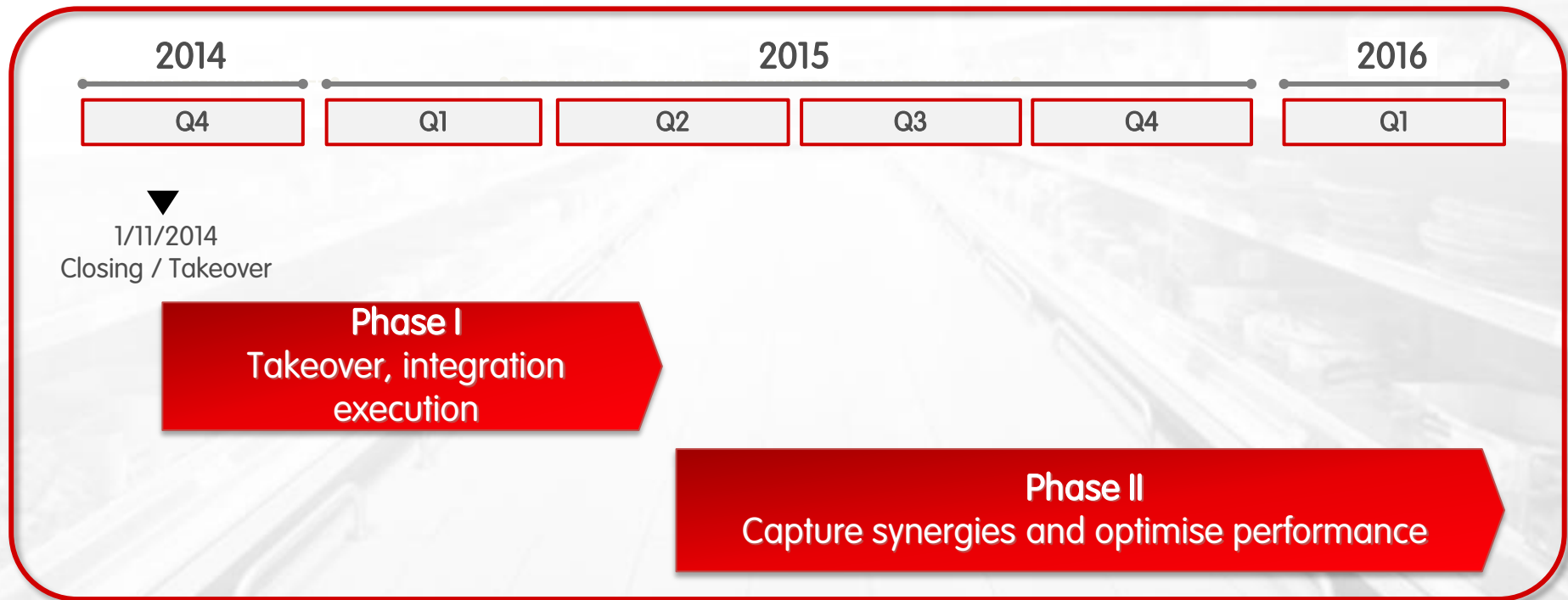
EUR50-60m cumulated 2015-16

- Sourcing and procurement
- Distribution and logistics
- SG&A
- Format optimization (share of PL, price positioning, ...)
- El Arbol tax losses carry forward to be potentially offset by future profits as profitability improves
- Severance payments
- Penalties for early termination of leases
- Stores remodelling and energy efficiency
- Distribution centres



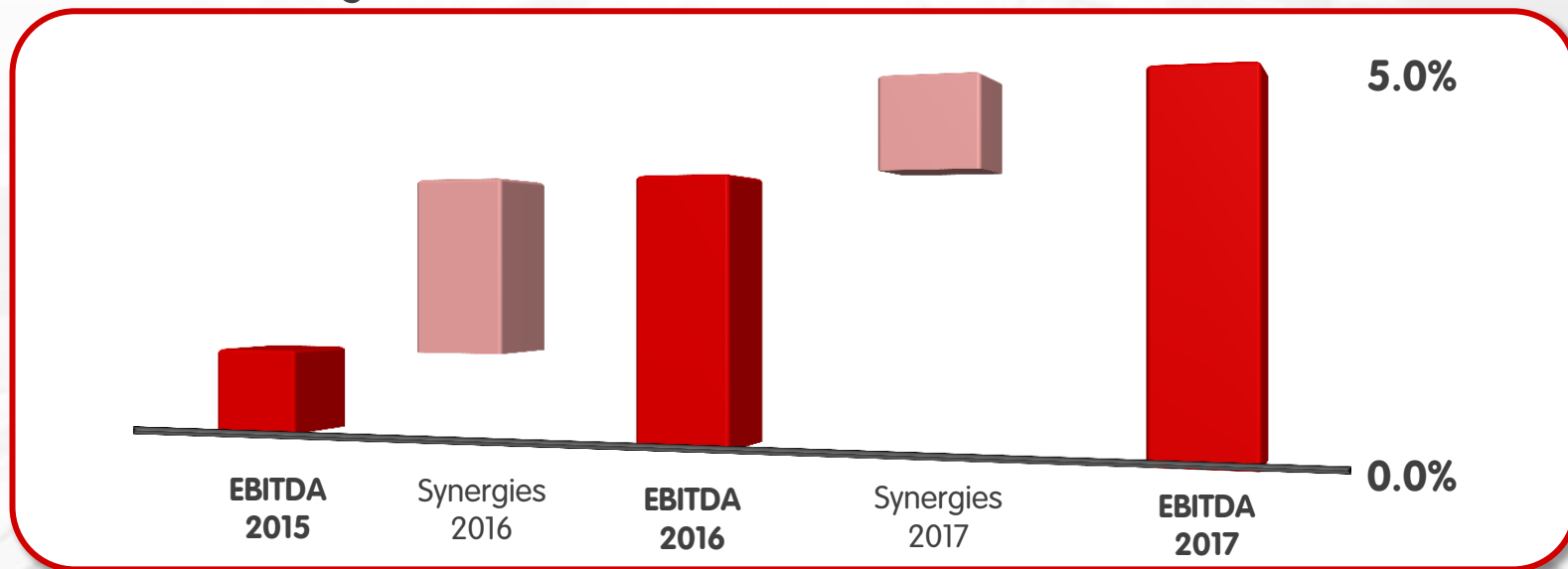
El Arbol integration calendar

- Integration plan defined early in the process
- Management team highly committed to ensure fast integration and capture of synergies
- A dedicated project team led by Spain's Executive Committee deployed to ensure control, coordinate execution and monitor the capture of synergies



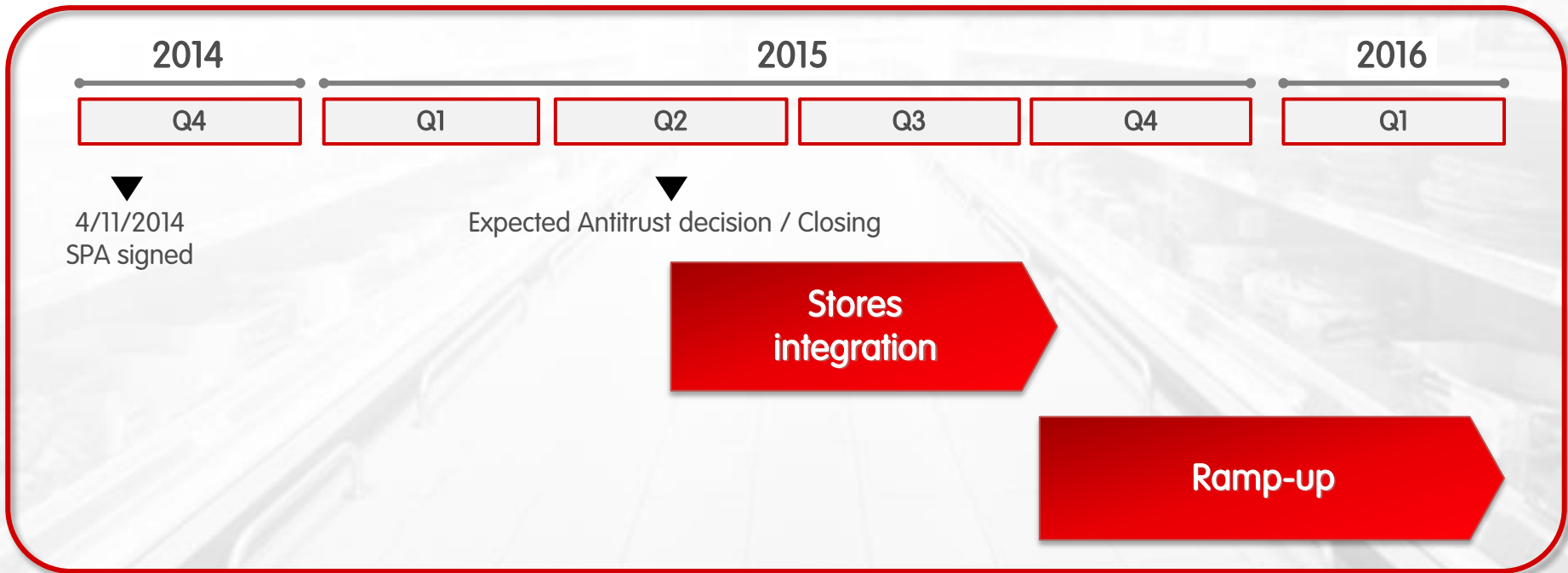
Eroski stores to be EBITDA-accretive from year one

- Eroski/Caprabo stores will be purchased and consolidated under El Arbol as DIA supermarket platform
- Target EBITDA of 5% is in line with profitability level of the best-performing supermarket formats in Spain
- The implementation of DIA's efficient operational processes (stores, distribution centres, support functions, etc.) should generate additional value
- The integration of these stores will have a positive trade working capital effect on estimated operating cash flow of EUR35m in the first year
- 2015-16 capex for store remodelling will be around EUR20m
- The total integration one-off costs are estimated around EUR10m



Eroski stores - integration calendar

- Rolling out the “usual” DIA integration process
- Benefiting from El Arbol: commercial value proposition, operational synergies
- Store migration by “batch” to avoid bottlenecks due to the number of stores (160): ~4 months overall
- Incorporation of dedicated resources at regional level, with supermarket know-how



A track record of successful integration



**Minipreço
(year 1998)**

- Fully integrated in March 1998
- 2x DIA Portugal network
- Became the most profitable business unit in DIA, and amongst Portuguese food retailers



**Plus
(year 2007)**

- 183 stores acquired in 2007
- Heavy loss-making pre acquisition
- Fully integrated into DIA Spain in 2008
- Positive EBITDA from the first year



**Schlecker
(year 2013)**

- 1,100 stores in Iberia, fully integrated in H1 2013
- As of today, two-thirds of stores remodelled under new Clarel banner
- Development of a multi private label brand strategy: DIA, Bonté, Basic, BabySmile, JuniorSmile, AS.
- DIA Club successfully implemented with 0.7m new cardholders

/ Conclusions



DIA - new portfolio of formats

DIA



- Located in the centres or on the outskirts
- Offer the best prices in catchment area
- Surface: 400 – 1,000 sqm

Our objective: to be the proximity specialist with best prices in food, fresh, and HPC

Clarel



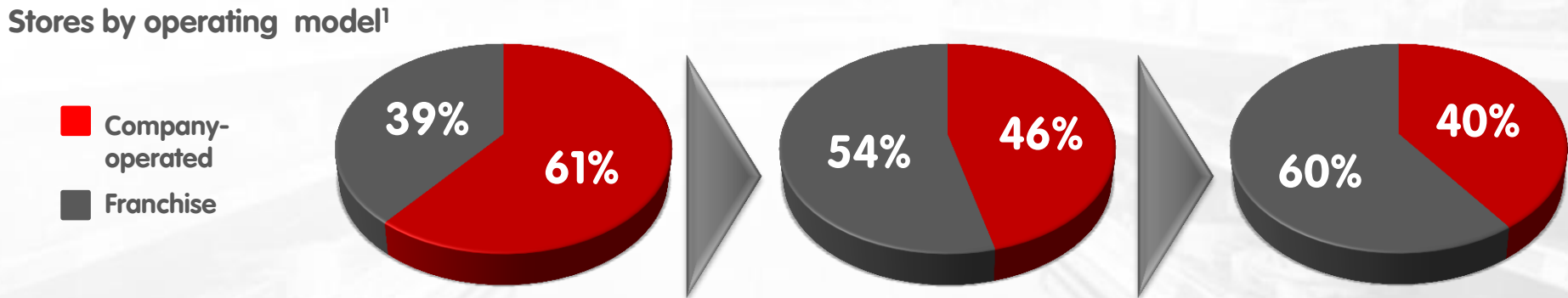
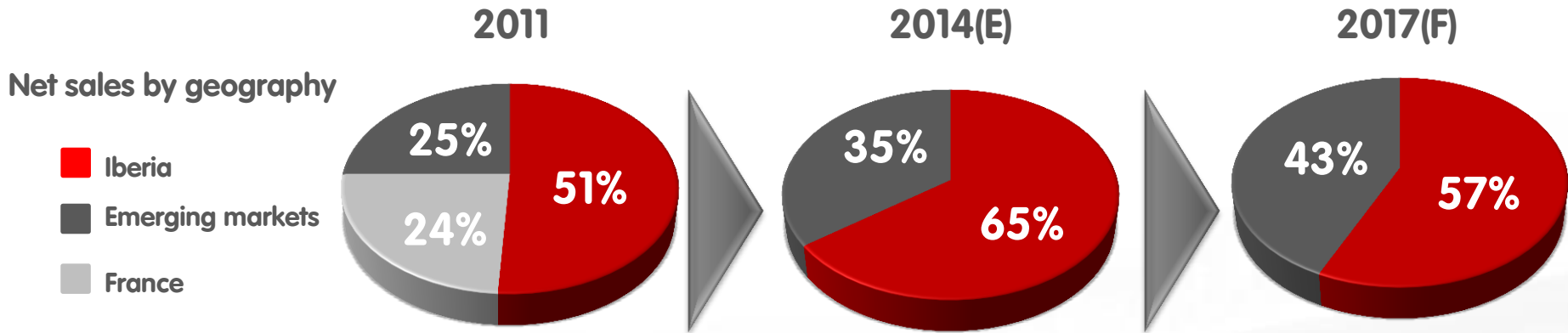
- Offer household cleaning and beauty products at the best prices in catchment area
- Surface: ~200 sqm

El Arbol



- Supermarkets with large assortment of perishables at the best prices
- Surface: ~800 sqm

New DIA group profile



(1) Excluding France, Schlecker/Clarel and El Arbol

E= Expected F= Forecast

Ideal mix of growth and profit sustainability
Organic consolidation in Iberia
High growth discount in Latam
Margin expansion from transition to franchise

- DIA has successfully rationalised its geographical footprint, and is now focusing on profitable growth in Iberia, Brazil and Argentina
- In 2014, DIA continued to gain market share, improve its price image and maintain its operating margins
- In 2015, the Spanish food retail market should improve significantly, after the business was affected by a decline in population and food prices in 2014
- DIA becomes the #2 food retailer in Spain, adds a promising supermarket platform (over 600 stores) and offers a unique growth story
- Very attractive financial returns and low execution risk given DIA's track record
- DIA's strengthened position will help to sustain its industry-leading margins and returns
- DIA counts with its franchise know how to drive continuous improvement while providing flexibility to best manage its multi-format portfolio
- DIA is extremely well placed to gain market share in our core markets of Iberia and LatAm through organic growth and acquisitions

CHARCUTERÍA

CHARCUTERÍA

Dia 

