



H1 2019 Results Presentation

8 May 2019

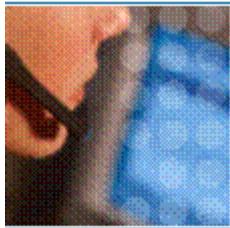


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Index:

- **Results Highlights**
- **Business Review**
- **Financial Review**
- **Outlook**

- Economic Sales growing to €567.4m (+4.1%)
 - Revenues up by 6.7% to €4,764.6m with Iberia and Italy fully offsetting the decline in France
 - The change in accounting criteria of Tobacco sales in Portugal affecting comparison (if excluded: +4.5%)
 - Increasing Economic Sales in all activities in Iberia and France
 - Slightly positive impact from price/tax movements in H1 2019 vs. H1 2018
- Adjusted EBIT up by +10.5% to €126.1m over a solid activity
 - Adjusted EBIT margin over Economic Sales expanding to 22.2%
- Profit from Operations increasing +7.6% to €93.6m
- Net Income reaching €74.7m (+5,0%)
 - Despite higher restructuring costs and corporate income tax rate
- Dividend per share paid in the semester: €0.77 (€0.75 paid in H1 2018)

A very robust activity performance benefiting from operating leverage translated into Adjusted EBIT growing by 10.5%



Business Review

Iberia

- No tax or RSP increases, growing tobacco volumes
- Very positive performance in convenience
- A robust Transport activity
- Pharma growth continues
- Costs increasing with Eco. Sales but below underlying activity

Revenues: €1,468.9m (+11.6%)

Ec. Sales: €292.0m (+5.5%)

Adj. EBIT: €59.6m (+5.5%)

France

- Scheduled excise tax increase passed on to RSP
- Tobacco volumes down but elasticity lower than initially expected
- Other Businesses slowly recovering
- Costs growing below Eco. Sales and underlying activity

Revenues: €1,923.6m (-0.7%)

Ec. Sales: €134.9m (+7.4%)

Adj. EBIT: €33.0m (+26.9%)

Italy

- Tobacco volumes stable, Tax and RSP increases in traditional categories, Tax and RSP reduction in Heated Tobacco
- Double digit growth on convenience sales

Revenues: €1,391.4m (+12.5%)

Ec. Sales: €139.0m (-2.2%)

Adj. EBIT: €40.6m (+7.2%)

Corporate & Others

- No major changes of performance in Poland

Revenues: -€19.3m (+20.8%)

Ec. Sales: €1.5m (+91.6%)

Adj. EBIT: -€7.2m (-14.6%)

Tobacco and Related

- Positive trend of tobacco volumes in Spain:
 - Cigarettes: +1.3% vs. -2.6%; RYO+HTU: -+9.0% vs. -1.5%
- Stable RSP vs. +5 cents increase in H1 2018
- Portuguese business continues recording growth (organic and non-organic)
- Convenience products strongly up in Revenues and Economic Sales

Revenues: €1,262.2m
(+13.9%)

Ec. Sales: €134.0m
(+1.7%)

Transport

- Healthy performance of the 3 lines of services
- Long-distance: Ec. Sales slightly up despite overall tobacco volumes fall
- Parcel and Courier: very high single digit growth thanks to service differentiation

Revenues: €193.9m
(+5.0%)

Ec. Sales: €136.7m
(+8.3%)

Other Businesses

- Pharma activity growing double digit
- Negative performance of Publications on a extremely competitive sector

Revenues: €76.9m
(+8.2%)

Ec. Sales: €44.0m
(+6.3%)

Adjusted EBIT

- Customary cost control and efficiency improvement measures
- Operating costs grew 5.5%, in line with Ec. Sales and below recurring activity

Adj. EBIT: €59.6m
(+5.5%)

Tobacco and Related

- Strong tobacco volumes decline, but lower price elasticity than expected:
 - Cigarettes: -7.3% vs. -5.2%; RYO+HTU: -6.1% vs. -9.6%
- Excise tax increases planned for FY 2019 completed (50 cents) passed on to RSP. Uneven RSP increases (+50/60 cents) in H1 compensating excise taxes and increase in tobacconists' commission.
- Positive impact on inventories' valuation in H1 2019 vs. negative in H1 2018
- Raise on Sales of convenience and tobacco related products partially offsetting a significant drop in e-transactions (telephony top-ups & cash cards)
- Improvement of Economic Sales margin over Revenues in electronic transactions and convenience products, unitary fee increase from tobacco volume drop and value added services, mitigated the reduction in Revenues

Revenues: €1,841.5m
(-0.7%)

Ec. Sales: €113.8m
(+8.4%)

Other Businesses

- Competition in the sector is driven by price, activity
- Economic Sales benefit from margins' recovery

Revenues: €86.7m
(-1.4%)

Ec. Sales: €24.6m
(+4.7%)

Adjusted EBIT

- Total operating costs up by 2.3% below underlying activity
- Restructuring project already announced but associated costs savings will not start until end of the year

Adj. EBIT: €33.0m
(+26.9%)

**Tobacco and
Related**

- Almost stable tobacco volumes:
 - Cigarettes: -2.9% vs. -1.0% ; RYO+HTU: +31.8% vs. +16.0%
- RSP increase (+10 or +20 cents) in cigarettes category, more than offsetting excise tax increase. Reduction of excise taxes on NGP, passed on to consumers in certain brands.
- Positive net effect on inventories' valuation in H1 2019 slightly higher than in H1 2018
- Economic Sales from logistic operations services to manufacturers slightly declining
- Growth in Economic Sales of Convenience products strongly accelerating (above 30%)

Revenues: €1,391.4m
(+12.5%)**Ec. Sales: €139.0m**
(-2.2%)**Adjusted EBIT**

- Total operating costs declining by 5.6%, more than recurring activity
- Customary efficiency measures during the period, mainly network optimisation

Adj. EBIT: €40.6m
(+7.2%)



Financial Review

(€m)	H1 2019	H1 2018	Δ%
Revenues	4,764.6	4,466.5	+6.7%%
Eco. Sales	567.4	545.2	+4.1%
(-) Distribution Costs	(364.1)	(357.5)	(1.9)%
(-) Sales and Marketing Expenses	(36.2)	(34.1)	(6.1)%
(-) G&A and Research Expenses	(41.0)	(39.6)	(2.4)%
Total Costs	(441.3)	(431.2)	(2.4)%
Adjusted EBIT	126.1	114.1	+10.5%
Margin %	22.2%	20.9%	+130 b.p.
(-) Restructuring Costs	(9.6)	(1.7)	(456.4)%
(-) Amort. of Assets Logista France	(26.1)	(26.2)	0.3%
(-)/+ Net Loss (Profit) on Disposal and Impairments	2.5	0.0	n.r.
(-) /+Share of Results of Companies and Others	0.9	0.8	+9.5%.
Profit from Operations	93.6	87.0	+7.6%

- Revenues: Growth of 4.5% (net of accounting changes) mainly due to price increases and Next Generation Products' growth
- Economic Sales: All activities growing in Spain and France, Italy slightly down
- Higher positive impact on inventories' valuation in H1 2019 than during H1 2018
- Total costs growing below Ec. Sales and recurring activity
- Adjusted EBIT representing 22.2% margin over Ec. Sales
- Restructuring costs strongly up mainly due to reorganisation measures in France to adapt to the level of activity
- Capital gain on idle asset disposal

(€m)	H1 2019	H1 2018	Δ%
Profit from Operations	93.6	87.0	+7.6%
(+) Financial Income	6.7	6.1	+8.6%
(-) Financial Expenses	(0.9)	(0.8)	(11.7)%
Profit before taxes	99.4	92.3	+7.7%
(-) Corporate Income Tax	(24.5)	(21.2)	(15.5)%
<i>Effective Income Tax Rate</i>	<i>24.7%</i>	<i>23.0%</i>	<i>+170 b.p.</i>
(+/-) Other Income / (Expenses)	0.0	0.0	n.r.
(-) Minority Interest	(0.2)	0.0	n.r.
Net Income	74.7	71.1	+5.0%

- Financial Result up by 8.1%:
 - Same interest rate over higher average cash position
- Corporate Income Tax :
 - Deductions applied in Spain in the last years are extinguishing
- Net income up by 5.0% thanks to 10.5% growth in operating results

(€m)	H1 2019	H1 2018	Δ%
Maintenance	3.8	3.1	22.6%
Infrastructure	9.5	6.9	37.7%
IT investments (technology)	11,0	6.3	75.2%
Total investments	24.3	16.3	49.2%

- Increase in infrastructure and IT mostly linked to the necessary adaptation to comply with Track & Trace regulation, coming into force in May 2019, and reinforcement of new businesses
- Logista keeps a substantial part of its investments (c. 50%) in technology and innovation in order to support the development of new value added services

(MM€)	H1 2019	H1 2018	Change
EBITDA	148.5	132.5	+16.0
Working Capital Variations	(211.2)	294.7	(505.8)
Corporate Income Tax (Paid) / Collected	27.4	(21.9)	+49.3
Financial Flows	5.9	5.3	+0.5
Cash Flow From Operating Activities	(29.4)	410.6	(440.0)
Capex	(22.1)	(16.4)	(5.8)
Free Cash Flow	(51.5)	394.2	(445.7)
Shareholders' Remuneration	(105.4)	(102.6)	(2.8)
Cash Generation	(156.9)	291.6	(448.5)

- Customary seasonality of the business driving working capital variations to reduce cash generation where as last year's atypical performance of working capital increase cash generation at the end of H1 2018
- Investments: increase mainly driven by necessary adaptation to comply with Track & Trace regulation
- Corporate income tax flow of payments and better operating and financial results, well above higher investments
- During Q2 2019, final dividends for FY 2017 were paid: €105m

- Double digit growth in Adjusted EBIT as a consequence of strong recurring activity and improving efficiency
- Positive performance of Convenience, Transport and Other businesses
- Strong Net Profit based on operating performance
- Corporate income tax rate still benefiting from double taxation deduction in Spain



Outlook

- The activity performance during the first semester allows considering that management's expectations at the beginning of this fiscal year could be beaten at closing
- Current trading environment suggests a medium to high-single digit growth in Adjusted EBIT could be reached
- Restructuring costs well above previous year as a consequence of French reorganization are already recorded
 - Savings only partially showing this fiscal year but allowing to obtain an infrastructure more adapted to the activity level
- An increase in the Group's corporate income tax rate vs. FY2018 is very likely
- As a consequence, a mid-single digit growth in Net Profit could be expected

Mid to high single-digit growth in Adjusted EBIT could translate into a mid-single digit in Net Profit in FY2019, beating previously communicated management's expectations



Appendix

	Million units			% change	
	1 Oct. 2017 - 31 March 2018	1 Oct. 2016 - 31 March 2017	1 Oct. 2015 - 31 March 2016	1 Oct. 2017 - 31 March 2018	1 Oct. 2016 - 31 March 2017
TOTAL					
Cigarettes	72,275	74,348	76,171	(2.8)%	(2.4)%
RYO/MYO	10,837	9,951	10,067	8.9%	(1.1)%
Cigars	1,933	1,911	1,874	1.1%	2.0%
SPAIN					
Cigarettes	20,732	20,471	21,009	1.3%	(2.6)%
RYO/MYO	3,218	2,952	2,996	9.0%	(1.5)%
Cigars	907	925	956	(1.9)%	(3.3)%
PORTUGAL					
Cigarettes	1,159	1,073	892	8.0%	20.3%
RYO/MYO	51	50	55	1.0%	(9.6)%
Cigars					
FRANCE					
Cigarettes	18,979	20,476	21,605	(7.3)%	(5.2)%
RYO/MYO	3,937	4,194	4,638	(6.1)%	(9.6)%
Cigars	591	589	603	0.4%	(2.3)%
ITALY					
Cigarettes	31,404	32,328	32,665	(2.9)%	(1.0)%
RYO/MYO	3,632	2,756	2,377	31.8%	16.0%
Cigars	434	397	315	9.3%	26.1%

(€m)	H1 2019	H1 2018	Δ%
Iberia	1,468.9	1,315.9	+11.6%
Tobacco and Related	1,262.2	1,108.5	+13.9%
Transport	193.9	184.6	+5.0%
Other Businesses	76.9	71.1	+8.2%
Adjustments	(64.1)	(48.3)	(32.7)%
France	1,923.6	1,938.0	(0.7)%
Tobacco and Related	1,841.5	1,853.6	(0.7)%
Other Businesses	86.7	88.0	(1.4)%
Adjustments	(4.6)	(3.6)	(26.4)%
Italy	1,391.4	1,236.9	12.5%
Tobacco and Related	1,391.4	1,236.9	12.5%
Corporate & Others	(19.3)	(24.3)	20.8%
Total Revenues	4,764.6	4,466.5	6.7%

(€m)	H1 2019	H1 2018	Δ%
Iberia	292.0	276.8	+5.5%
Tobacco and Related	134.0	131.8	+1.7%
Transport	136.7	126.2	+8.3%
Other Businesses	44.0	41.4	+6.3%
Adjustments	(22.7)	(22.6)	(0.3)%
France	134.9	125.6	+7.4%
Tobacco and Related	113.8	105.0	+8.4%
Other Businesses	24.6	23.5	+4.7%
Adjustments	(3.5)	(2.9)	(21.1)%
Italy	139.0	142.1	(2.2)%
Tobacco and Related	139.0	142.1	(2.2)%
Corporate & Others	1.5	0.8	+91.6%
Total Economic Sales	567.4	545.2	+4.1%

(€m)	H1 2019	H1 2018	Δ%
Iberia	59.6	56.5	+5.5%
France	33.0	26.0	+26.9%
Italy	40.6	37.8	+7.2%
Corporate & Others	(7.2)	(6.2)	(14.6)%
Total Adjusted EBIT	126.1	114.1	10.5%

(€m)	31 March 2019	30 September 2018
PP&E and other Fixed Assets	221.5	221.5
Net Long Term Financial Assets	18.0	6.8
Net Goodwill	920.8	920.8
Other Intangible Assets	481.6	505.2
Deferred Tax Assets	19.1	18.6
Net Inventory	1,191.6	1,188.5
Net Receivables and Others	1,899.1	1,939.3
Cash & Cash Equivalents	1,914.4	2,064.5
Total Assets	6,666.1	6,865.2
Group Equity	479.6	510.0
Minority Interests	1.8	1.6
Non Current Liabilities	41.7	43.1
Deferred Tax Liabilities	270.1	279.7
Short Term Financial Debt	39.8	32.9
Short Term Provisions	15.1	11.6
Trade and Other Payables	5,818.0	5,986.3
Total Liabilities	6,666.1	6,865.2



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