



**Roadshow
Presentation**

October 2019

DiA

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Key Investment highlights



Company overview



Recent financial and operational developments



Transformation pillars



The Capital Increase



01

Key investment
highlights

Key investment highlights



- 1 Leading proximity player with broad store network and high capillarity in urban areas
- 2 **Best-in-class management team with extensive know-how**
- 3 Committed shareholder with a long-term vision
- 4 **Sustainable and long-term dated capital structure**
- 5 Wide franchisee network with strong upside potential
- 6 **Strong growth potential in Spain and Brazil**
- 7 Appealing and value-generating transformation opportunity



02

Company
overview

Industry leading experience with proven track-record of transformation **DIA**

NEW



Karl-Heinz Holland
CEO
May 2019

Prior experience:

- CEO of Lidl for 6 years (2018-2014) and CCO of Lidl previous 6 years
- Proprietary Director of DIA (Apr 2018-Dec 2018)

Speaker

NEW



Enrique Weickert
CFO
December 2018

Prior experience:

- CFO of OHL (8 years) and CFO of Fertiberia (previous 5 years)
- Chartered Accountant - 9 years at Arthur Andersen/Deloitte

Speaker

NEW



Pedro Barsanti
Chief IT Officer
January 2019

NEW



Dawid Jaschok
Chief Comercial Officer
July 2019

NEW



Matthias Raimund
Chief Operating Officer
October 2019

NEW



Sagrario Fernández
Chief Legal and Compliance Officer
October 2019

NEW



Karl-Heinz Holland
CEO DIA Spain (*interim*)
October 2019



NEW



Marin Dokozić
CEO DIA Brazil
December 2018



Alejandro Grande
CEO DIA Argentina (*interim*)
October 2019



Miguel Guinea
CEO DIA Portugal
August 1995



Group Executive Team

Country Executives

DIA Group at a glance

DIA



#1 Spanish proximity network
2.1x larger than #2 competitor ²

Deep potential in private label
43% private label penetration at Group level ¹



Geographically diversified footprint
Presence in Spain, Portugal, Argentina and Brazil

Large customer base
22 million Club DIA cards at Group level



EUR7.3Bn in net sales
A leading proximity retailer ⁴

Strong online sales performance
Online sales website launched in 2012



Unique asset-light model
Franchisee owned and/or operated stores represent **47%** of Group's stores



A leading European franchiser
#1 franchiser in Spain, **#2 franchiser** in food retail in Europe and Top 25 franchiser worldwide ³



Source: DIA, Nielsen

Notes: June 2019 figures; Store numbers exclude Cash & Carry.

1. Defined as gross sales of private label products divided by total gross sales as of June 2019

2. Based on PoS (Point of Sales), this includes retailers with a value market share larger than 3.5% (Alimarket)

3. Top 100 global franchises 2018 (Franchise Direct)

4. Group sales in Spain, Portugal, Argentina & Brazil (FY 2018)

Our fundamental strengths

Customer proximity and capillarity

A leading distribution network of over 6,800 stores....



Private label

...value-for-money uplift potential...



Leadership

...best-in-class team onboard with proven experience in retail...



Big Data capabilities

...serving everyday grocery needs of 22 million loyal customers...

Differential model

...with ≈50% of network franchised...

Multinational footprint

...presence in Spain, Portugal, Argentina and Brazil.



03

Recent financial
and operational
developments

What led to deterioration of performance and “perfect storm”?

2016 – Q3 2018



Short-sighted / unsustainable / profit-at-any-cost management decisions



Loss of customer centricity and value-for-money attractiveness



Loss of quality in fresh offering and private label



Franchisee: low quality, low support, low control



Complex structure (formats, non-core activities,...)

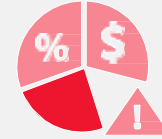


Ineffective acquisition strategy



Low retail operation standards

Q4 2018



Profit warnings



Financial restatements



Rating downgrades



Liquidity Constraints

**Insolvency Threat and
Share Price Collapse**

Top priority initiatives taken in 2019 towards stabilizing and repositioning the business...

Insolvency threat & liquidity constraints

Financial viability uncertainty affecting credit insurance and supplier relationships:

- Unsustainable out-of-stock levels
- Sharp sales deterioration

▼

Refinancing agreement signed in July and **EUR490m PPL** prefunded by LetterOne, significantly **improving debt maturity** profile, liquidity and **stabilizing supplier relationships**

Non-profitable stores & business complexity

Operating inefficiencies and lack of focus dragging margin down

▼

- Store **closures** and **defranchising** process (663 and 222 in 1H19)
- Collective **dismissals** in stores and HQ
- Closing of **non-core activities** (Bahia and Minipreço in Brazil, Cada Dia in Spain, e-shopping, Cash & Carry business, etc.)
- On-going **assortment rationalisation**
- **Warehouse closings** to fix logistic inefficiencies
- **Clarel** repositioning with new leadership

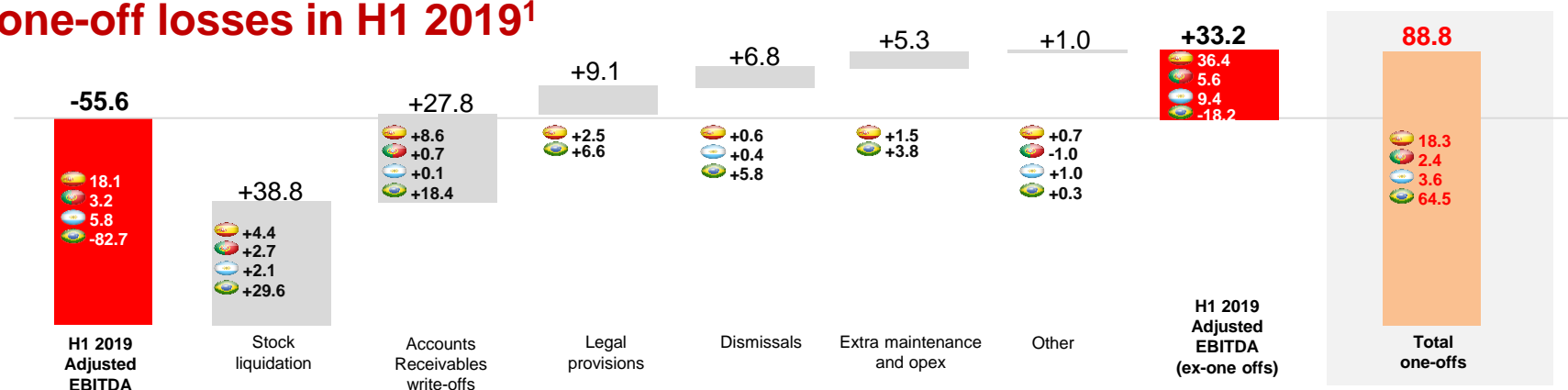
Internal control deficiencies

Financial restatements and irregular accounting practices

▼

- **Compliance Action Plan** implemented and **Forensic Reports** issued
- Revision and reinforcement of business and financial **internal control systems**
- Strengthening of **Ethics and Compliance corporate policy**

...led to significant one-off losses in H1 2019¹



1. EUR million as of June 30, 2019

Pescadería

04

Transformation
pillars



SALMON NORUEGO
ENTERO O MEDIO

Oferta del día
Chipirón
4,75

SALMON ENTERO NORUEGO
7,99

10,95

4,75

5,99

9,95

INFORMACIÓN

Six-Pillar Transformation Plan

1

Recruit New Leadership & Talent

- New leadership team to steer DIA to the next level
- Attract and develop talent with modern retail expertise and secure uncompromising leadership attitude

2

Real Estate Strategy

- Improve sales densities (€/sqm) and traffic
- Active management of store locations and formats
- Maximize EBITDA profitability through investment in store estate

3

New Commercial Value Proposition

- Key elements: freshness, quality and value-for-money
- Develop best-in-class private label offering
- Become market leader in fresh food
- Install a new and collaborative relationship with suppliers to create long term partnerships
- Optimise store formats

Six-Pillar Transformation Plan

4

**Reset
Pricing &
Promotions**

- Implement value-for-money price strategy
- Use promotion to drive traffic
- Reinvent loyalty beyond coupon pricing
- Reduce and repurpose promotions to improve price perception

5

**Retail
Operations
Execution**

- Develop DIA's talent
- Efficient organisation and management with New Operational Excellence Programme (OEP)
- Identify high-performing franchisees and partners for a new and improved long-term franchisee model

6

**Investment
in Brand &
Marketing**

- Revamp DIA brand
- Use the format refresh as a platform for the new DIA branding statement

Top priorities for the next 12-18 months

COMMERCIAL PROPOSITION



- Assortment streamlined
- Improve fresh offer
- Reinvention of private label:
 - Quality
 - Packaging look & feel
- Regain customer trust by resetting pricing as well as promotion policy
- Improve negotiation with suppliers (new pricing, quality, billbacks)

OPERATIONS & REAL STATE



- Develop best-in-class operational standards & workflow in the supply chain and stores
- Solve stock management issues
- Develop new franchise model to boost entrepreneurial profiles and profitability

PEOPLE & CULTURE



- Hire, promote and train key management positions in all territories
- Increase efficiency and productivity
- Fundamental change of culture in the company
- Reinforce compliance, ethical standards and internal controls

**Company
realignment
with customers,
franchisees
and suppliers**



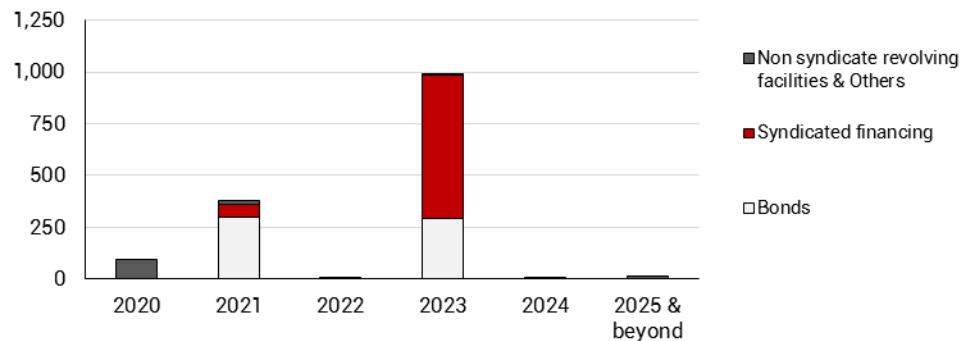
05

The Capital Increase

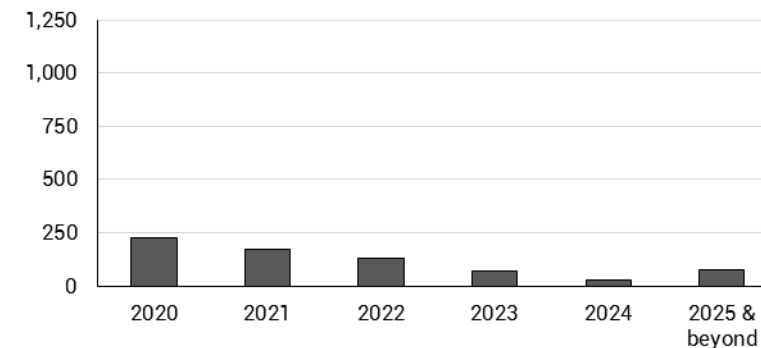
A sustainable and long-term dated Capital Structure

- **As of July 2019, DIA signed the refinancing agreement** with its syndicated lenders for €973m of which €902 correspond to pre-existing financed arrangements and €71m corresponds to a new super senior supplier tranche, and secured an additional € 200m super senior 3-year term loan underwritten by LetterOne (not disposed as of September 2019).
- **As of July 2019, LetterOne prefunded €490m PPLs** (to be capitalized in the capital increase) to meet liquidity needs of the company and repaid the €306m bond due July 2019.
- **As of September 2019, DIA had a gross debt of €2,680m** which includes €702m of lease liabilities, and €492m of PPLs (nominal + interests to be capitalized in the Capital Increase). We highlight the following maturities:
 - €95m of non-syndicate revolving facilities & others by September 2020
 - €300m in bonds in April 2021 and €293m in bonds in April 2023
 - syndicated financing: €63m by September 2021 and €691m in March 2023

Maturity of financial debt (€1.5bn)
(pro-forma Sept 2019 post capital increase)



Maturity of lease liabilities (IFRS16, €702m)



Capital Increase

Tranche 1
Non Preferential Rights
€418,555,000

Subscribed only by LetterOne through conversion of PPLs granted in July19

Tranche 2
Preferential Rights
€186,997,247

10 rights x every old share convertible in 10 new shares.
If not subscribed, LetterOne will commit an extra €81,445,000 through conversion of remaining PPLs + €10m cash contribution.

TOTAL ISSUE
605,552,247 €
6,055,522,466 Shares

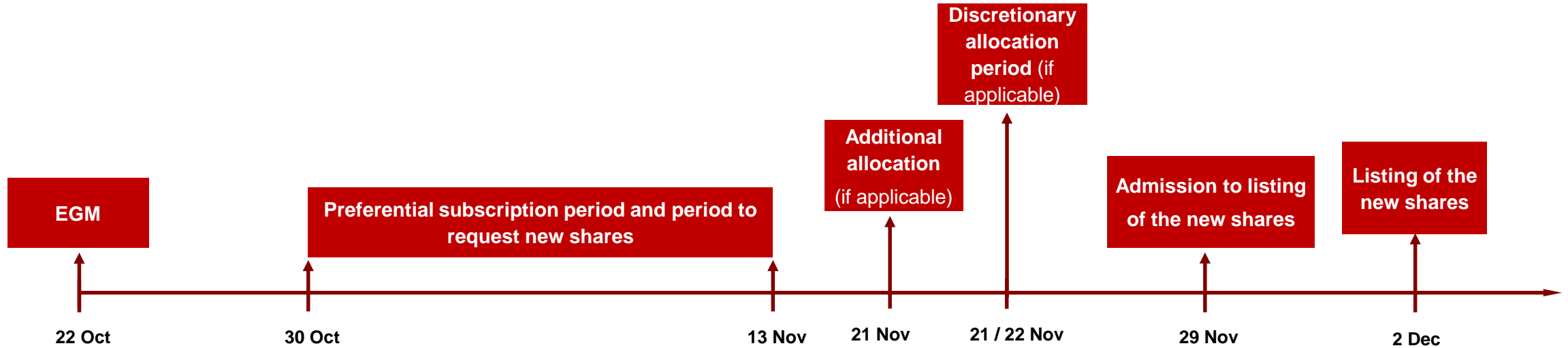
- LetterOne stake: 69.759%
- Free float: 30.241% (of which 0.199% treasury shares)
- Issue Price: €0.1 per share (€0.01 face value + €0.09 share premium)

- Closing price: €0.4500 per share
- TERP: €0.1319 per share
- TVR: €0.0318 per share
- Discount to TERP: 24.2%

Data as of Oct 29th

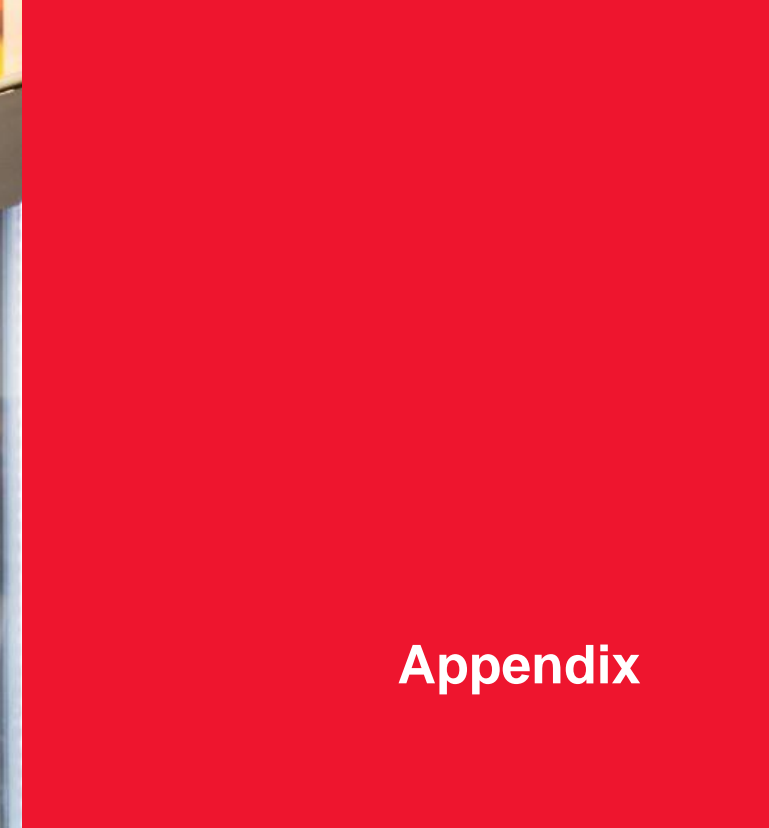
- Total PPLs granted by LetterOne as of July 2019:
 - PPL1: €450,000,000
 - PPL2: €40,000,000

Timeline of Capital Increase



**Thank you for your
attention!**









Appendix
















Our global reach



Key metrics

Spain	 59%	Portugal	 9%	Brazil	 16%	Argentina	 16%	DIA GROUP	
Market rank ¹	#3	Market rank ¹	#6	Market rank ¹	#6/7	Market rank ¹	#3		
Market share (as of June 2019)	6.6%	Market share (as of Dec 2018)	5.3%	Market share (as of Dec 2018)	3.3%	Market share (as of Dec 2018)	15.0%		
Stores (#)	4,369	Stores (#)	592	Stores (#)	898	Stores (#)	950	Stores (#)	6,809
Selling space (1,000 sqm)	1,650	Selling space (1,000 sqm)	217	Selling space (1,000 sqm)	409	Selling space (1,000 sqm)	258	Selling space (1,000 sqm)	2,534
Franchised stores penetration (%)	43%	Franchised stores penetration (%)	50%	Franchised stores penetration (%)	43%	Franchised stores penetration (%)	68%	Franchised stores (%)	47%


Key store formats

	Stores (#)	Size (sqm)		Stores (#)	Size (sqm)		Stores (#)	Size (sqm)		Stores (#)	Size (sqm)
	602	700 – 800		110	700 – 800		304	500 – 600		118	500 – 600
	2,286	350 – 500		411	250 – 350		594	300 – 400		832	100 – 200
	273	700 – 900		54	300 – 400	TOTAL	898		TOTAL	950	
	96	450 – 550		71	100 – 200						
	1,208	100 – 200	TOTAL	592							
TOTAL	4,369										

Source: DIA, Kantar Worldpanel

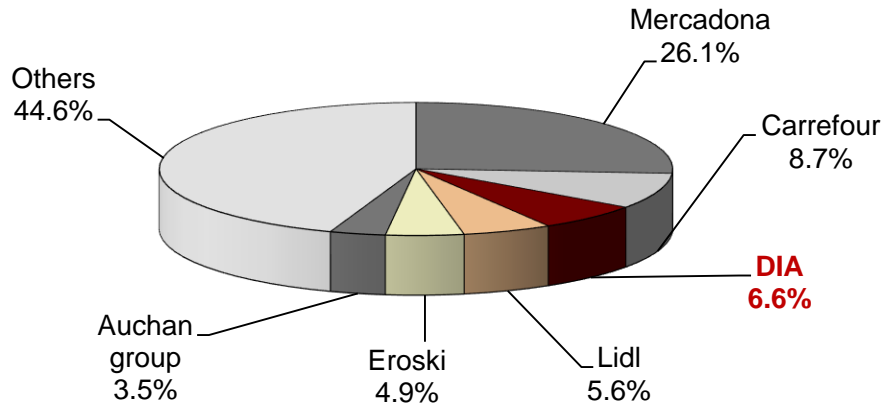
Notes: H1 2019 figures,

1. Market ranks as of 2018 based on market share

 % of DIA's H1 2019 gross sales

International footprint

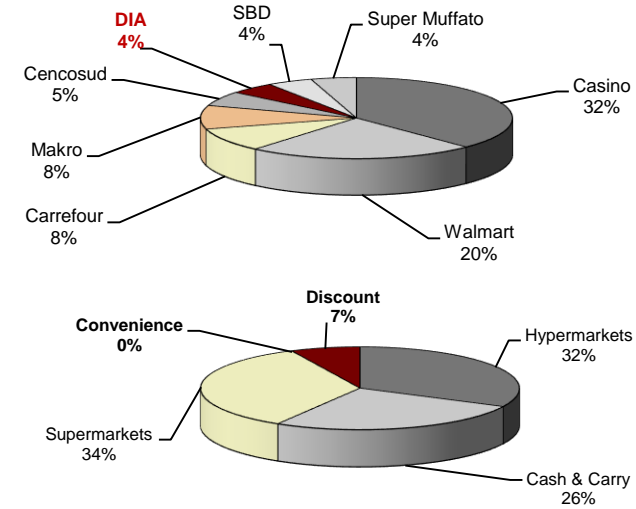
Spain



Source: Kantar Worldpanel (June 2019)

- **Very fragmented market** with no clear #2
- **DIA store network capillarity** (largest in the country, 2.1x more than following player) with **high potential to improve sales density**
- **Consumer trends favour DIA's proximity footprint**

Brazil

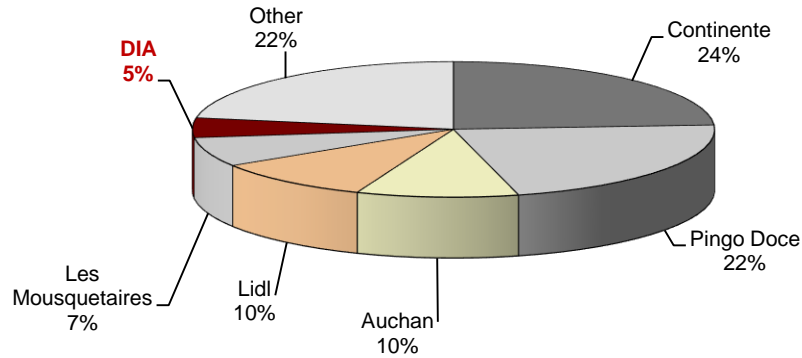


Source: IGD (2018)

- **Huge opportunity for DIA to expand:** 181 million of urban inhabitants in Brazil where DIA only operates 898 stores (vs. >3,400 in Spain)
- **Very low discount/convenience players penetration**

International footprint

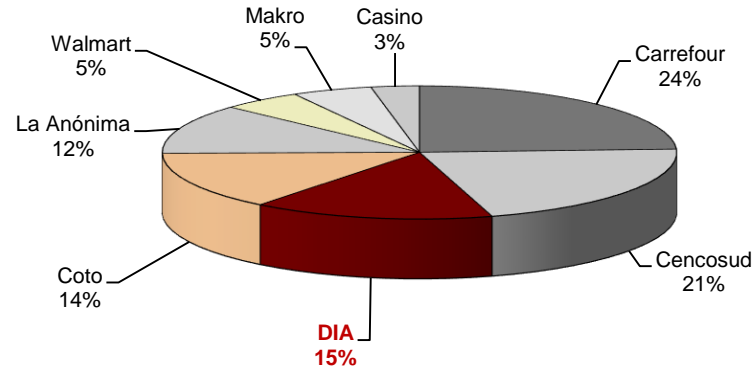
Portugal



Source: IGD (2018)

- Tough competition but potential and volume to realize **commercial and logistic synergies** to leverage the Iberian structure
- Very similar consumption patterns to Spain

Argentina



Source: IGD (2018)

- **Difficult market but strong positioning for DIA:** Largest network of the sector (almost 1,000 stores)
- **Highest private label penetration of the market**

- **Health and Beauty proximity format** operating more than 1,200 stores in Spain and Portugal
- **Growing trend in health and beauty in Europe** (Boots, DM, SuperDrugs,...)
- **New CEO** appointed to drive the turnaround

Business case – X5 Retail Group

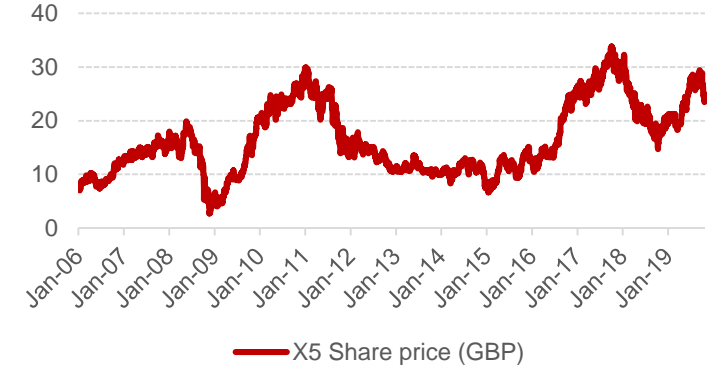


X5 Retail is the #2 food retailer in Russia with >15k stores and 3 brands:

- Perekrestok: supermarket, founded in 1995 by Alfa Group (LetterOne)
- Pyaterochka: proximity, founded in 1999
- Karusel: hypermarkets, acquired in 2008

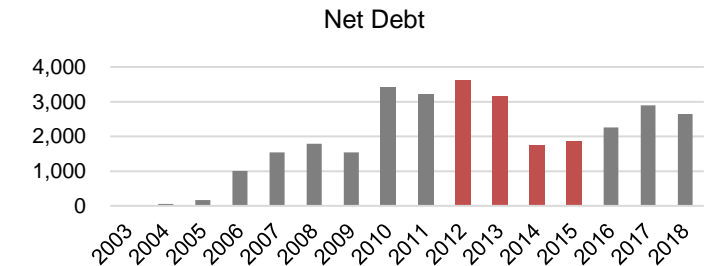
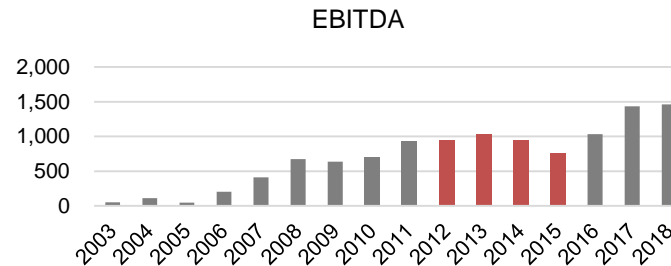
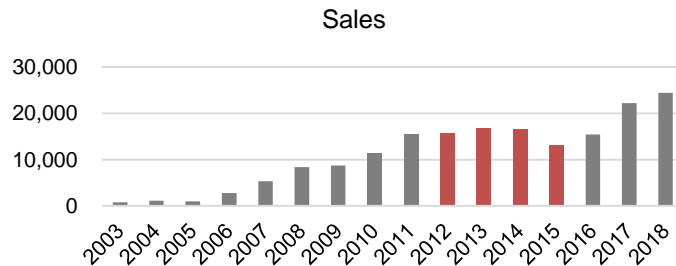
X5 History in a snapshot:

- 2006: Perekrestok and Pyaterochka merged to become X5 Group.
- 2008: X5 acquires Karusel
- 2012: Net Debt increases to USD3.5bn and Alfa Group appoints Stephan DuCharme as CEO of X5 to revert the situation
- 2013: While X5 loses its #1 position in Russian against Magnit, Alfa Group launches a restructuration process
- 2015: Once X5 is set for growth and net debt is stable, Mr. DuCharme steps down as CEO (remaining Chairman of the Supervisory Board)



Shareholders Structure	
Investor	% Stake
Alfa Group	47.86 %
Axon Trust ⁽¹⁾	11.43 %
X5 Directors	0.08 %
Treasury Shares	0.01 %
Free Float	40.62 %

(1) Former Pyaterochka shareholders



● Years with Stephan DuCharme as CEO