



DIA



**2019
Results Presentation**



27TH FEBRUARY 2020

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This document contains some expressions (gross sales under banner, comparable growth of gross sales under banner, adjusted EBITDA, etc...) which are not IFRS (International Financial Reporting Standards) measures.

DiA

2019 Results Presentation

Today's Speakers



Stephan DuCharme
DIA Group Chairman



Karl-Heinz Holland
DIA Group CEO



Enrique Weickert
DIA Group CFO

Agenda

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01

Transformation Priorities
Stephan DuCharme
Chairman

Transformation Priorities

1



Invest in capabilities to drive the transformation

- DIA has attracted world-class retail talent with the necessary expertise to successfully drive the transformation
- Clearly defined organization structure with core central capabilities and empowered teams at country level
- Developing best-in-class operational standards & workflow in the supply chain and stores

2



Rebuild DiA's culture and trust

- Rebuilding trust and fostering long-term relationships with all key stakeholders
- Creating a new performance-based culture in the Company
- Management team fully committed to the values articulated in the Business Principles
- Re-establish DiA as a positive contributor in Spain

3



Rebuild DiA

- New commercial value proposition
 - Based on balancing private and national brands and improving the fresh offer and the private brand
- Resetting pricing as well as promotion policy
- Active management of store locations and formats
- Improved long term franchisee model that values entrepreneurship

Working for the long run, making DiA a successful and profitable modern proximity retailer



02
Progress Update
Karl-Heinz Holland
DIA Group CEO

Our Fundamental Strengths



Customer proximity and capillarity

A leading distribution network of over 6,600 stores...

- #1 Spanish proximity network⁽¹⁾



Big Data capabilities

...serving everyday grocery needs of 20 million loyal customers...

- 1.5bn coupons printed during 2019



Private label

...with great value-for-money uplift potential...

- #43% private label penetration at Group level



Franchise model

...with ~50% of network franchised...

- #1 Franchiser in Spain, #2 franchiser in food retail in Europe and Top-25 Worldwide⁽²⁾



Leadership

...best-in-class team on-board with proven experience in retail...

- Group Executive Committee with 161 years of accumulated retail experience



Multinational footprint

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

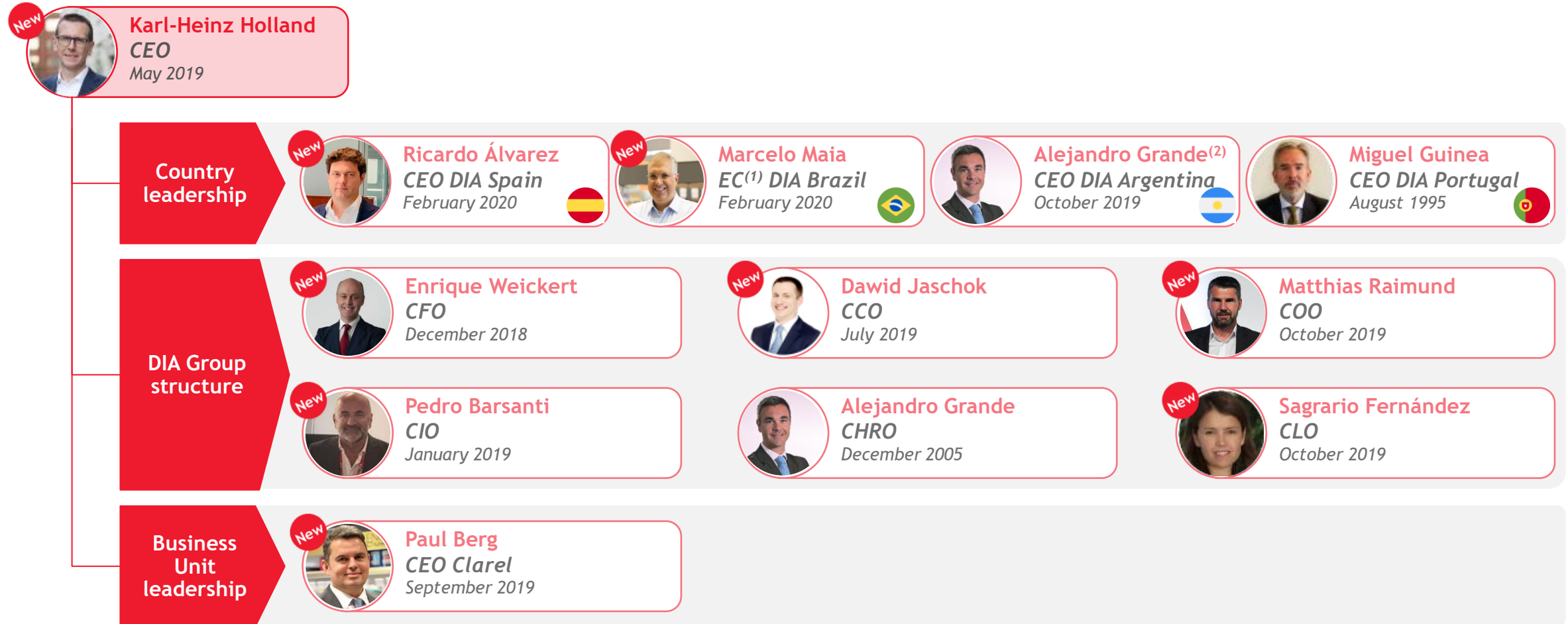
- +39,000 employees around the world

1. Based on PoS (Points of Sale), this includes retailers with a value market share larger than 3.5% (Alimarket)
2. Source: Top 100 global franchises 2018 (Franchise Direct)

DIA

New management team with proven retail capabilities and know-how, to drive the transformation of DIA into a modern proximity retail leader

DIA Group executive organizational chart



1. Executive Chairman
2. Interim assignment

Organizational progress

Building the new leadership team to ensure a successful transformation

- 87 new management⁽¹⁾ additions with proven retail expertise and capabilities
- Strong background in leading retail companies
 - Carrefour, Lidl, El Corte Inglés, Kaufland, Grupo Pão de Açúcar, Magazine Luiza, X5 Retail, Tesco...

Fully-empowered leadership at country level with support from Group HQ

- Matrix organizational structure to support country operations from HQ
- Country CEOs fully accountable for their P&Ls
- Strong focus on Spain and Brazil

Extending Best Practices across the Group

- Commercial transformation
- Best-in-class operational standards & workflow in the supply chain and stores
- Financial controls

DIA

A renewed principles-based and performance-oriented culture to develop trust, based on sound governance and compliance led by a strong Board of Directors

DIA's business principles

- **Customers** are at the **centre of everything** we do
- The cooperation with our employees, franchise and business partners is based on fairness and mutual **respect**
- **Dedication** and strong **engagement** of all employees and franchise partners is vital for the long-term success of our Company
- We adopt a **zero tolerance policy** in relation to **corruption**
- We strive for **permanent improvement** in all areas of the business
- We foster a **culture of change**, permanent **innovation** and **creative solutions**. A culture of “**allowed failure**” is an integral part of that
- We strive for **Operational Excellence** in all parts of the Company
- We **reduce complexity** and follow the principle of “**Keep it Simple**”
- **Cost consciousness**, **efficient workflow** and **short-decision making** processes are key for future success

Strong and diverse Board of Directors

- 1 Executive Director (CEO)
- 2 Proprietary Directors with strong support of the reference shareholder
- 4 Independent Directors with complementary experience and expertise

DIA's BoD structure	Stephan DuCharme	Karl-Heinz Holland	Sergio Dias	Christian Couvreur	Jaime García-Legaz Ponce	José Wahnnon Levy	Basola Vallés
Diverse background	X5 RETAILGROUP LETTER ONE	LIDL TAKKO FASHION	Carrefour LVMH	Casino KERING	SECRETARIA DE ESTADO DE COMERCIO aena	pwc EZENTIS	entradas.com McKinsey & Company
Years of experience	30	30	32	40	26	33	25

←----- BOD accumulate >200 years of diverse business experience ----->

New business principles and a strong governance to drive the cultural change necessary to re-position DIA

DIA

Building transparent and collaborative relationships with all key stakeholders to create long-term partnerships

DIA's stakeholders

Ongoing process to recover confidence



Customers	<ul style="list-style-type: none">• Developing the best value-for-money proposition• Building on our loyal customers
Employees	<ul style="list-style-type: none">• New performance-oriented culture. Commitment to promote and retain best talent• Signature of DIA Collective Employee Agreement (2019-2021) in January 2020
Franchisees	<ul style="list-style-type: none">• New franchisee model based on long-term sustainability, attractiveness and entrepreneurship
Suppliers	<ul style="list-style-type: none">• Alignment of all supplier relationships• New agreements based on transparency
Trade insurers	<ul style="list-style-type: none">• Positive reaction to the recapitalization and refinancing of the Group (risk limits uplifts)
Banks	<ul style="list-style-type: none">• Syndicated Facility Agreement signed in July 2019• Hive-Down execution in December 2019
Shareholders & Investors	<ul style="list-style-type: none">• Successfully completed VTO and Capital Increase• Long-term commitment of controlling shareholder

DIA

Full range of initiatives in place across all DIA's transformation pillars

Transformation pillars (1/2)

Not Exhaustive

Pillars	Transformation initiatives		Status ⁽¹⁾ to date
Commercial	<ul style="list-style-type: none"> • Optimization of assortment 	<ul style="list-style-type: none"> • Defined by store cluster, balanced (national & own brands), attractive & high rotations SKUs, regional component 	In progress
	<ul style="list-style-type: none"> • Improvement of private label 	<ul style="list-style-type: none"> • Focus on value-for-money / Increase quality to branded levels / Innovation on new products packaging 	In progress
	<ul style="list-style-type: none"> • New approach to promotion 	<ul style="list-style-type: none"> • Customer-driven and focused on highly attractive SKUs driving traffic & higher basket 	In progress
	<ul style="list-style-type: none"> • Improvement of fresh categories 	<ul style="list-style-type: none"> • Focus on quality, presentation, freshness, and pricing, to drive traffic in the stores 	
	<ul style="list-style-type: none"> • Loyalty programme 	<ul style="list-style-type: none"> • Optimizing use of data to customize promotions and leverage on higher average basket of loyal customers 	In progress
Franchise	<ul style="list-style-type: none"> • Strengthen franchise network 	<ul style="list-style-type: none"> • Transfer in 2019 of 385 COFO stores to COCO to sanitize the network 	
	<ul style="list-style-type: none"> • Redesign franchise model 	<ul style="list-style-type: none"> • New franchise model defined in Spain. Win-Win model, incentive driven with higher store standards and customer focus 	In progress

1. Initiative finalized 

Full range of initiatives in place across all DIA's transformation pillars

Transformation pillars (2/2)

Not Exhaustive

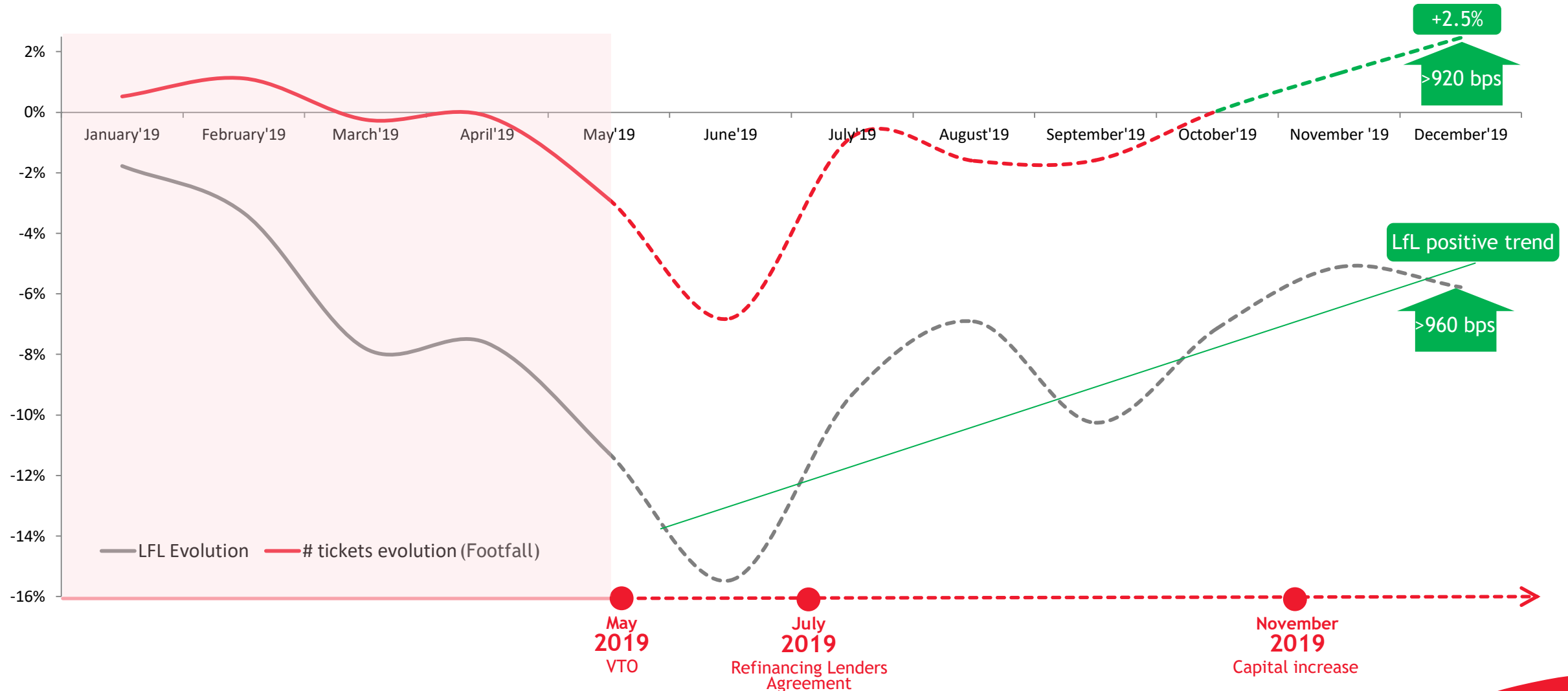
Pillars	Transformation initiatives	Status ⁽¹⁾ to date
Operations	<ul style="list-style-type: none"> New store layouts and planograms 	<ul style="list-style-type: none"> Enhancing substantially the customer experience and easing replenishment of the store <p>In progress</p>
	<ul style="list-style-type: none"> Operational excellence program 	<ul style="list-style-type: none"> Set up and optimize in-store process <p>✓</p>
	<ul style="list-style-type: none"> F&V Time to market 	<ul style="list-style-type: none"> Reduce time from farms to stores of F&V to improve freshness and reduce losses <p>✓</p>
	<ul style="list-style-type: none"> Logistic optimization program 	<ul style="list-style-type: none"> Optimizing warehouse layouts and transportation costs <p>In progress</p>
	<ul style="list-style-type: none"> Stop loss-making 	<ul style="list-style-type: none"> Closing of 861 unprofitable stores and 3 under-utilized Warehouses <p>✓</p>
	<ul style="list-style-type: none"> Operations simplicity⁽²⁾ 	<ul style="list-style-type: none"> Discontinuation of non-core businesses that creates complexity in the system <p>✓</p>
Finance	<ul style="list-style-type: none"> Working capital improvement 	<ul style="list-style-type: none"> Stock management optimization to reduce inventory days, and standardization of supplier terms <p>In progress</p>
	<ul style="list-style-type: none"> Investment optimization 	<ul style="list-style-type: none"> Disciplined approach to CAPEX allocation and pay-back mindset <p>In progress</p>
	<ul style="list-style-type: none"> Cost-killing initiatives 	<ul style="list-style-type: none"> OPEX-reduction initiatives in place with specific plans by cost nature (rents, maintenance, energy, etc.) <p>In progress</p>

1. Initiative finalized ✓

2. Bahia and Minipreço in Brazil, Cada DIA, e-shopping, Max Descuento (Cash & Carry Business) and Wholesale (Import-Export) lines of businesses in Spain

Clear change in trend

Like-for-Like Sales & Tickets Evolution (Footfall)





03
2019 Financial Review
Enrique Weickert
DIA Group CFO

FY 2019 Results Summary (€ million)

P&L summary	FY 2018	FY 2019	Change (%)
Net Sales	7,576.0	6,870.5	(9.3%)
Gross Profit	1,667.0	1,318.5	(20.9%)
EBITDA	209.2	65.6	(68.6%)
ADJ. EBITDA ex one-offs	376.2	34.1	(89.3%)
EBIT	(142.6)	(580.2)	302.8%
Net financial results	(17.1)	(96.7)	464.5%
Corporate Taxes	(188.4)	(91.7)	(51.3%)
Net attributable profit	(352.6)	(790.5)	122.5%

Net Sales: decreased by 9.3% during 2019. Excluding the currency effect this decrease was 2.2%

Breakdown of net sales per country is:

- Spain: 60.8%
- Portugal: 8.6%
- Argentina: 13.4%
- Brazil: 17.2%

Gross Profit: decreased in 2019 to 19.2% (versus 22% in 2018), reflecting mainly the negative impact of the stock liquidation initiatives, write-off of receivables related to franchisees, and also some erosion in purchase conditions caused by the supplier tightening

EBITDA: The decrease of €143.6m is the result of the negative impact of one-off restructuring costs (€131.1m) and impairment of assets (€57.5m) that more than offset the positive effect of the application of the IFRS16 for the first time (€321.4m)

Net Financial Result: the increase of €79.6m is explained by the following:

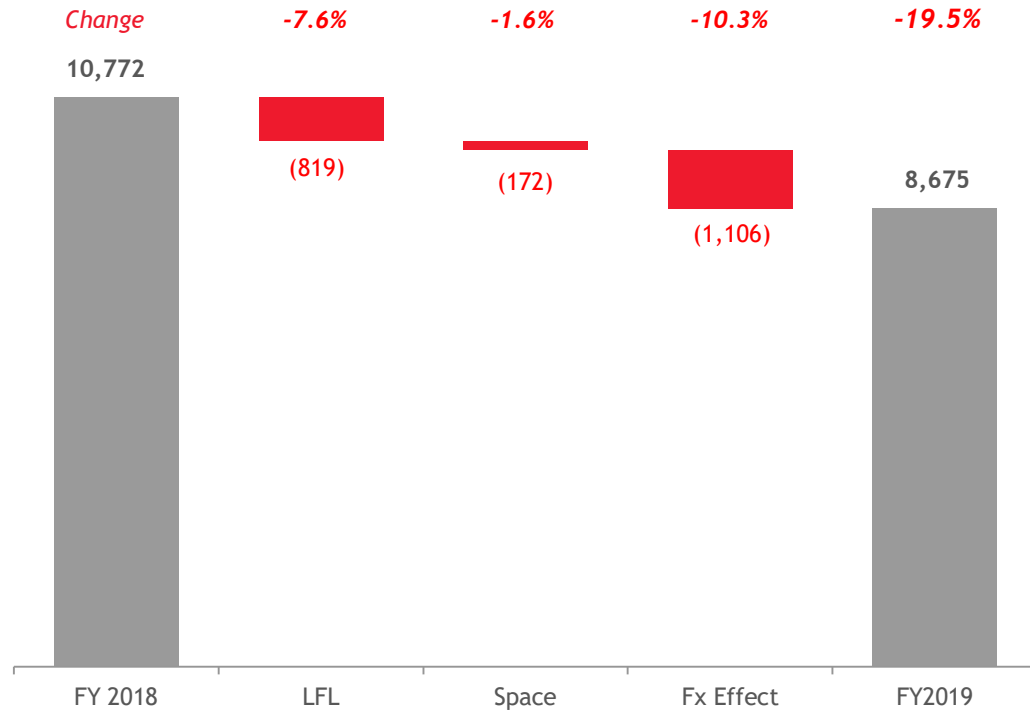
- Application of IFRS16⁽¹⁾: €70.8m as of 2019 (an increase of €68.8m compared to 2018)
- Financial income: increased by €32.9m mainly due to the activation related to ICMS Tax in Brazil and other taxes and deposits as of guarantees of contingent liabilities
- Refinancing Costs: costs related to the refinancing process had an exceptional effect of €8.3m
- Other finance expenses: increased by €16.7m and mainly includes bank credit and credit interest rates in Argentina linked to revenues and other financial expenses linked to the update of some financial liabilities in Brazil
- Rest of financial expenses include, among others, interest expenses, Fx differences, the result of the application of IAS 29 in Argentina.

Corporate Taxes: on a conservative basis, the Company has derecognized €91.7m of Deferred Tax Assets

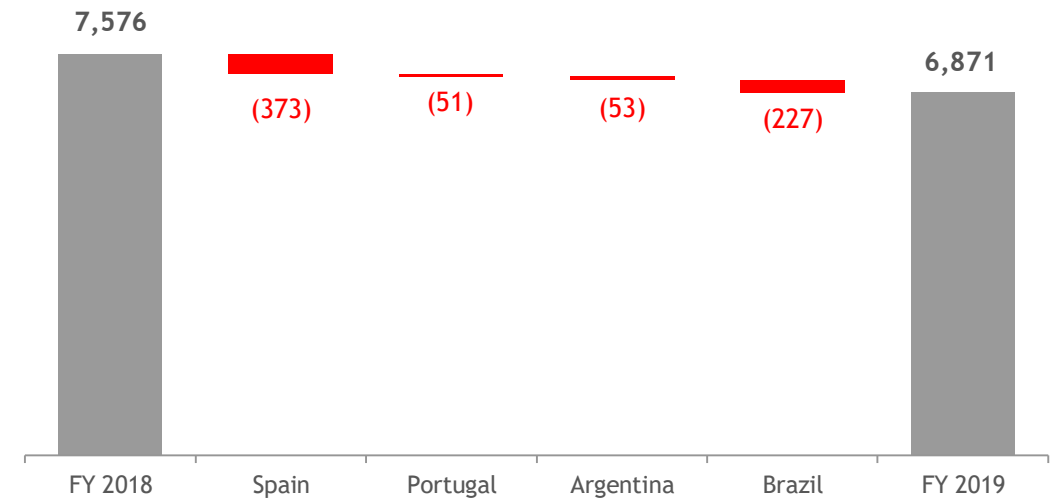
1. 2019 was the first year of application of IFRS16

Sales Performance- Gross Sales and Net Sales Bridge

Gross Sales Under Banner (€ million)



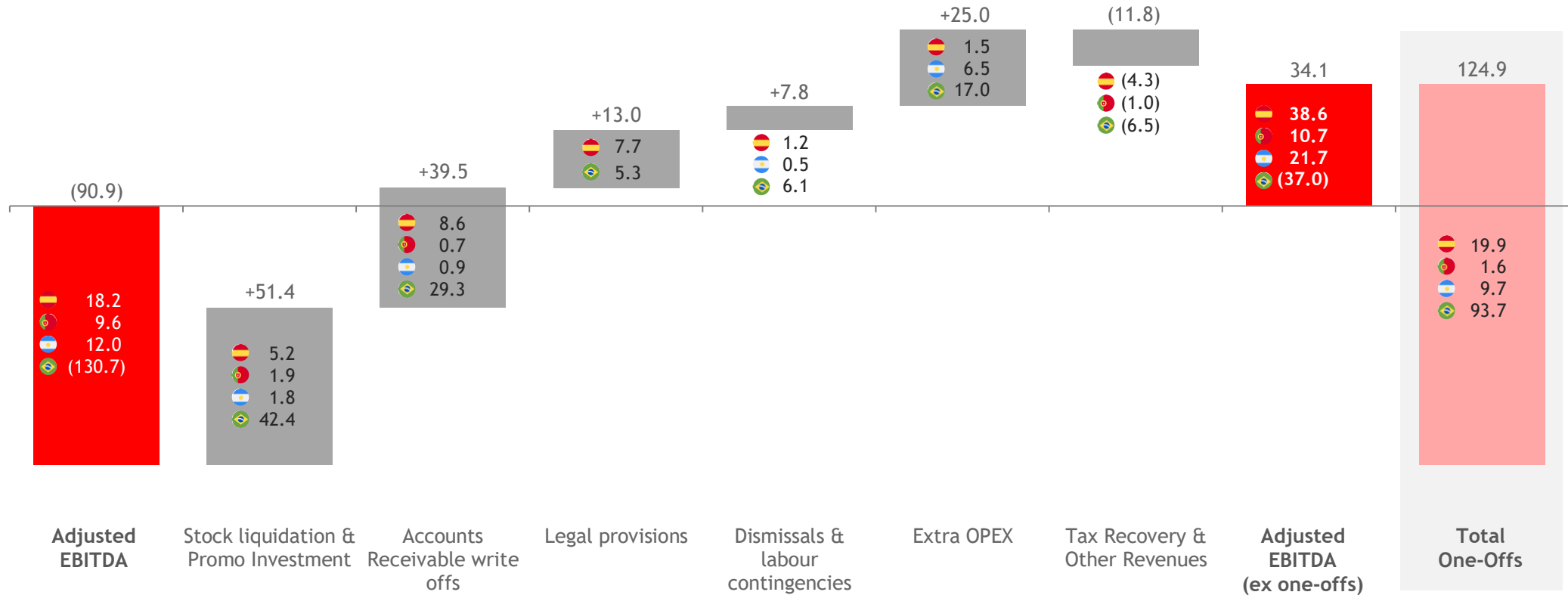
Net Sales Evolution (€ million)



Sales performance reflected a negative effect from currencies depreciation (40.8% Argentinean Peso and 2.7% Brazilian Real)

Adjusted EBITDA Evolution

Adjusted EBITDA ex-One offs (€ million)



Balance Sheet (€ million)

Balance Sheet	2018	2019
Non-current assets	2,159.1	2,448.2
Inventories	597.4	496.5
Trade & Other receivables	193.5	111.0
Other current assets	66.9	100.2
Cash & Cash equivalents	239.8	163.6
Non-current assets held for sale	15.1	0.0
TOTAL ASSETS	3,271.8	3,319.4
Total equity	(166.1)	(350.5)
Long-term debt	920.4	1,865.7
Short-term debt	775.6	325.5
Trade & Other payables	1,448.9	1,215.4
Provisions & Other liabilities	293.0	262.0
Liabilities associated with assets held for sale	0.0	1.3
TOTAL EQUITY & LIABILITIES	3,271.8	3,319.4

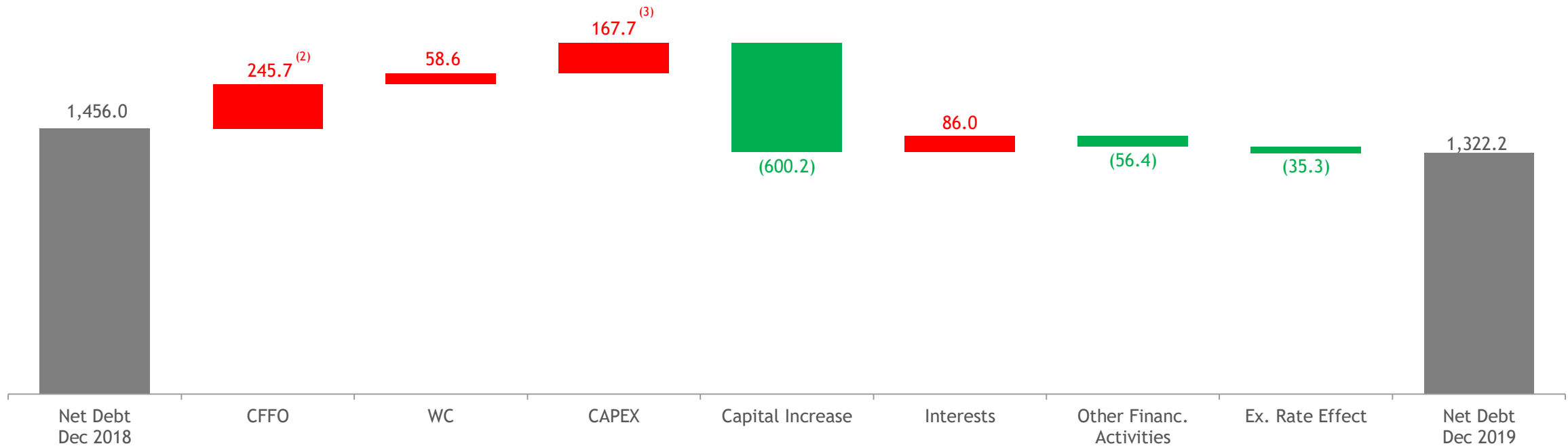
Trade Working Capital (EUR m)	2018	2019	Change
<i>Non-recourse factoring</i>	126.5	14.1	(112.3)
Inventories (A)	597.4	496.5	(100.8)
Trade & Other receivables (B)	193.5	111.0	(82.5)
Trade & Other payables (C)	1,448.9	1,215.4	(233.5)
Trade Working Capital ⁽¹⁾	(658.1)	(608.0)	50.1

- Trade Working Capital has declined due to:
 - the decrease in sales
 - the shorter payment period to suppliers
 - the lower volume of commercial financing (€112.3m in the period) and the currencies depreciation. On the other hand, confirming lines utilization increased by €50.4m as of December 2019

1. Trade working capital defined as (A+B-C)

Financial Structure

Net Debt⁽¹⁾ Evolution (€ million)



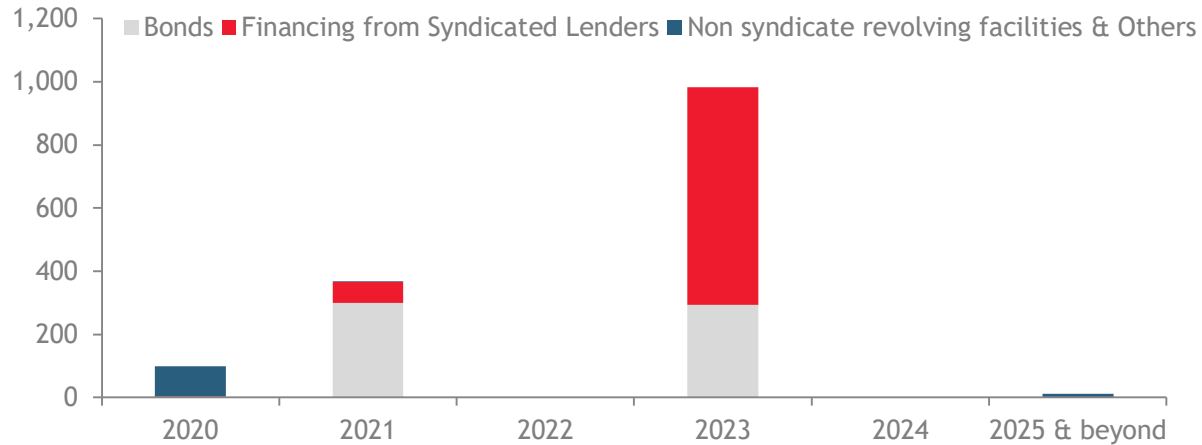
1. Total Net debt (excluding IFRS16)

2. Includes the cash impact of the € 131m Restructuring Costs

3. Includes c.€65m of catch-up CAPEX payments from prior years.

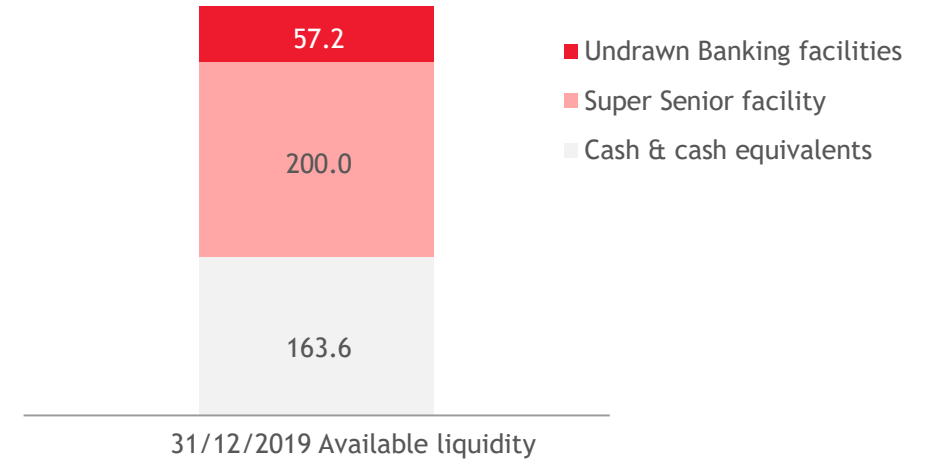
Financial Structure

Debt Maturity Profile (€ million)



- As of the end of 2019, the Group had a net financial debt of €1.3bn (which excludes €705.4m related to the application of the IFRS16).
- Debt maturities are described above:
 - I. Non-Syndicated Revolving Facilities & Others: €96.1m by 2020, €0.5m by 2021 and €0.7m from 2025 onwards
 - II. Bonds: €299.3m in April 2021 and €293.7m in April 2023
 - III. Syndicated financing: €3.5m by 2020, €66.7m by 2021 and €688.6m in 2023

Available Liquidity (€ million)



- At 31st of December 2019, the Company had €420.8m of liquidity available.

Our ambition

	KPI's
Net Sales	> €10bn
Adjusted EBITDA Margin	5% - 6%
Like-For-Like	2% - 3%
CAPEX (as % of Net Sales)	4%
Net Leverage	<3x

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Final Remarks

- Successful **recapitalization & long-term refinancing** of the Company, and “**fixing the basics**” for the **business transformation**, resulting in the recognition of significant **one-off losses**
- Now DIA’s **transformation plan** is being implemented, with clearly defined priorities, actions and milestones
- Key progress in a short period of time has been achieved already in **building a new team** with strong retail capabilities and transformation experience
- DIA’s transformation is currently under way with **ongoing initiatives**, from which we expect **positive results** in 2020 that will bring back positive LFL
- We are fully engaged to achieve the **cultural change** that will enable us to **rebuild the trust in DIA**
- **Clear positive steps** to make DIA a leading modern proximity retailer

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