



# Q4 report 2016

## Press and analyst presentation

8 February 2017

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# In brief

A good quarter and a good 2016

Increased market shares

Results in line with financial targets



# Good conclusion to 2016

## Higher EBIT\* and strong cash flow

- Net sales +1.6%
- EBIT +9% on comparable basis
- Cash flow very strong
- In line with financial targets

## Events

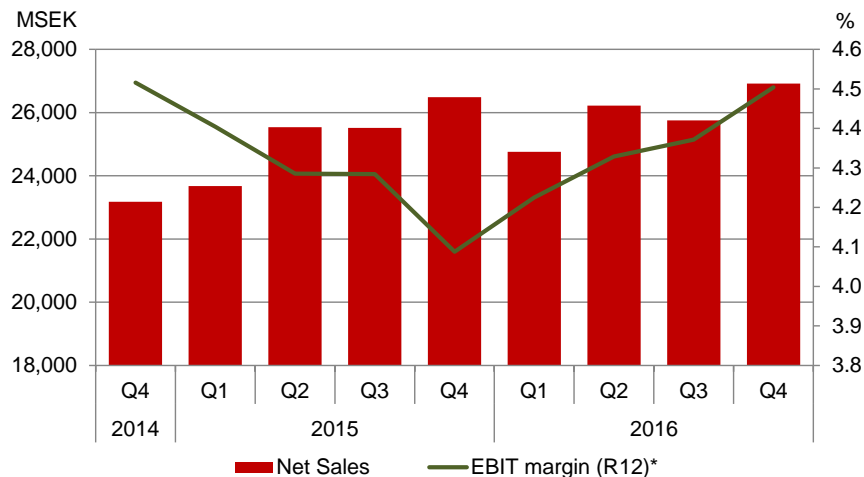
- Acquisition of Lithuanian food retail chain IKI
- Real Estate Norway divested, transaction finalized 1 Feb 2017. Capital gain of **400** MSEK

## Market

- Competitive pressure continues in all markets
- Food price inflation in Sweden increasing at the end of 2016
- Inflation higher in the Baltic countries

MSEK	Q4 2016	Q4 2015	Change %
Net sales	26,920	26,489	1.6
EBIT*	1,180	1,024	15.2
EBIT Margin*	4.4%	3.9%	0.5 pp

## Net sales and EBIT margin R12\*



\*Excluding non-recurring items

# Markets

# Generally more competitive market

Sweden

- Market growth lower in second half
- Food inflation higher end of year, +1.0% in Q4
- Promotional activity, new competitors & growing online add to competitive pressure

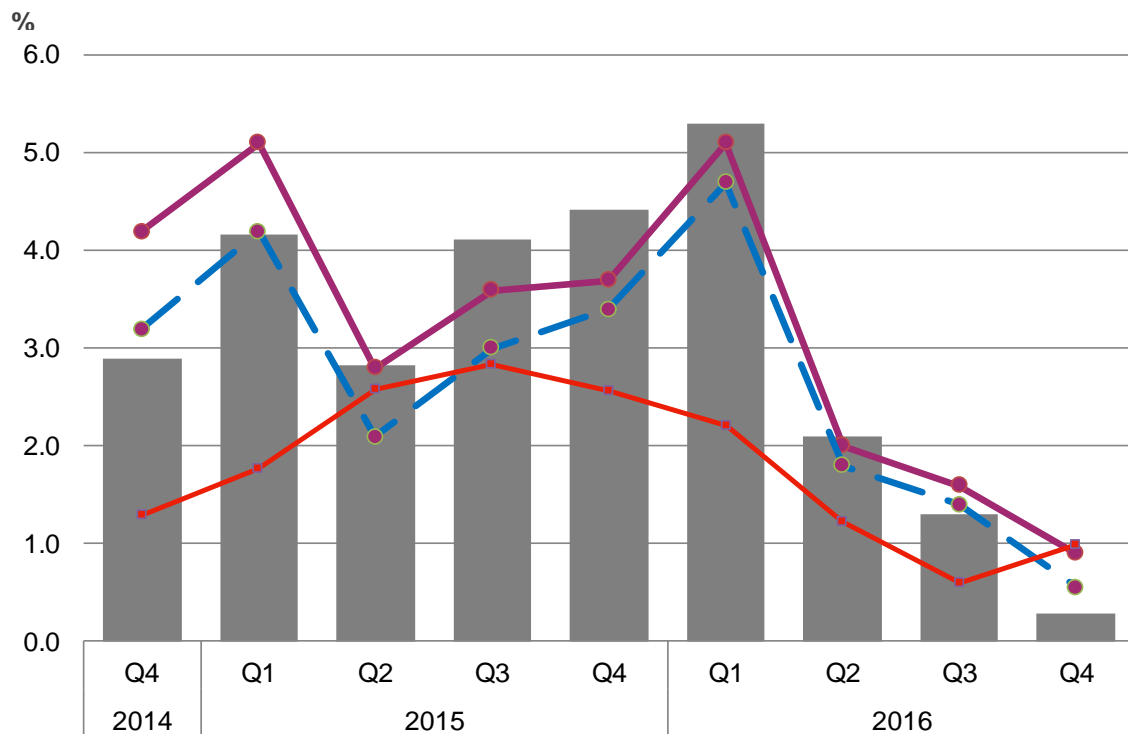
The Baltics

- Better market growth in the beginning of 2016
- Food inflation +2.4% in Q4
- Continued high promotional activity and focus on price

Pharmacy

- Market growth +4.4% in Q4 vs last year
- Traded goods continue to show good growth in the market
- Strong growth in Online

# ICA gains market share in Sweden in Q4



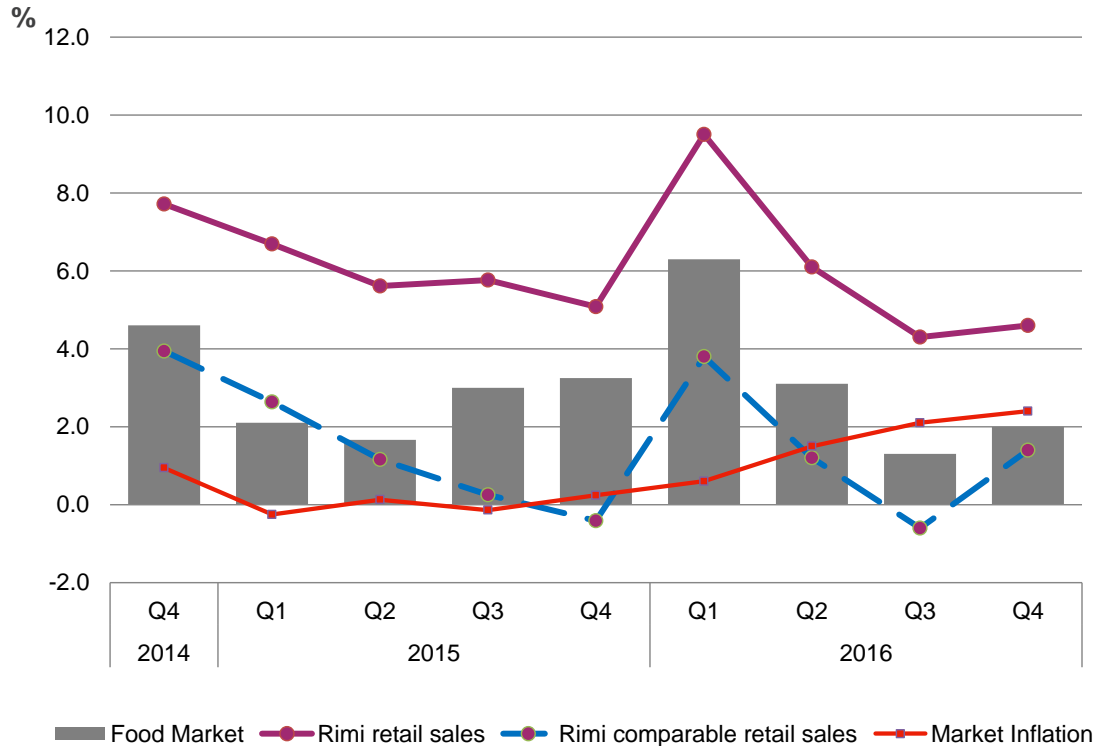
## Store sales and retail market in Q4

- ICA store sales growth\* of +0.9%, in comparable stores +0.6%
- Sales mainly driven by increased average buy
- Food retail market growth relatively low in Q4, preliminary growth +0.3%
- Price and calendar effect of +0.4% (price +0.9%, calendar -0.5%)
- ICA Online sales growth +47% (food online and menu baskets). 204 ICA stores selling food online
- 9 new stores. In total 17 new stores in 2016

Food Retail Market
  ICA
  ICA, Comparables
  Inflation

\*including VAT

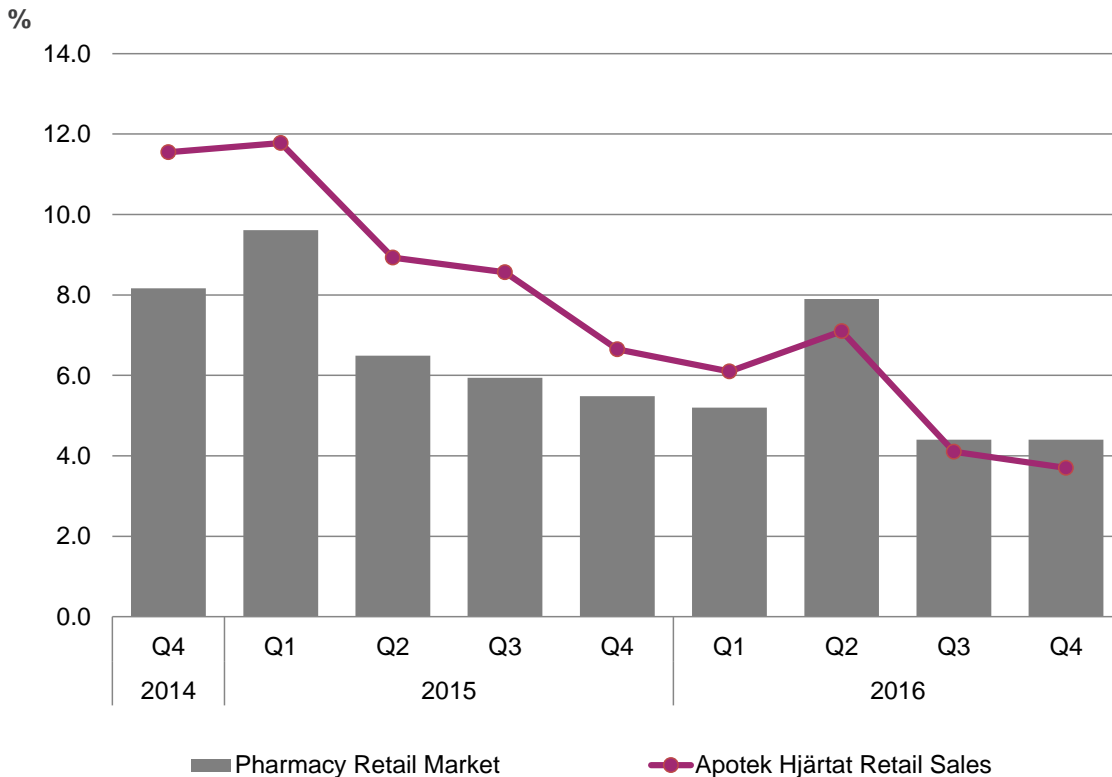
# Continued market share gains in Rimi Baltic in Q4



## Store sales and retail market in Q4

- Rimi store sales +4.5%, comparable sales +1.4%
- Comparable growth in Estonia +1.5%
- Latvia comparable +3.5%
- Lithuania comparable -3.4%, affected by Lidl market entry
- Food retail market +2.0%
  - Estonia +3.0%
  - Latvia -1.8%
  - Lithuania +4.0%
- Food price inflation +2.4%
- 3 new stores in Q4. In total 14 new in 2016

# Apotek Hjärtat - underlying sales growth in line with market in Q4



## Store sales and retail market in Q4

- Adjusted for divestment effects, Apotek Hjärtat sales +4.2%
- Market growth of +4.4%
  - Prescription (volume) +3.5%
  - OTC +3.3%
  - Traded goods +9.6%
- Very strong online growth, Apotek Hjärtat +129%
- 4 new pharmacies. In total 16 new pharmacies in 2016



# Events

# Acquiring IKI – strengthening our Baltic footprint

- ICA Gruppen acquires the Lithuanian grocery retail chain IKI for EUR 213m on a cash and debt free basis
- IKI has a turnover of EUR ~630m\*, EBITDA of EUR ~35m\* and EBIT EUR ~18m\*
- The purchase price implies an EBITDA\* multiple of 6.1x and an EBIT\* multiple of 11.6x
- Significant annual synergies estimated to EUR ~15m when fully realised in 2020
- Acquisition related one-off costs are estimated to ~EUR 40m and related capex at EUR ~25m during 2017-2019
- Transaction is financed through cash and existing credit facilities
- Completion subject to approval from competition authorities no later than Q4 2017



\* R12 Q3 2016 unaudited financials

# New initiatives within health and sustainability



Losec® mups  
Rad 2

Bliester, 14 tabletter  
Jmfpris 7.04 / styck

**98:50**

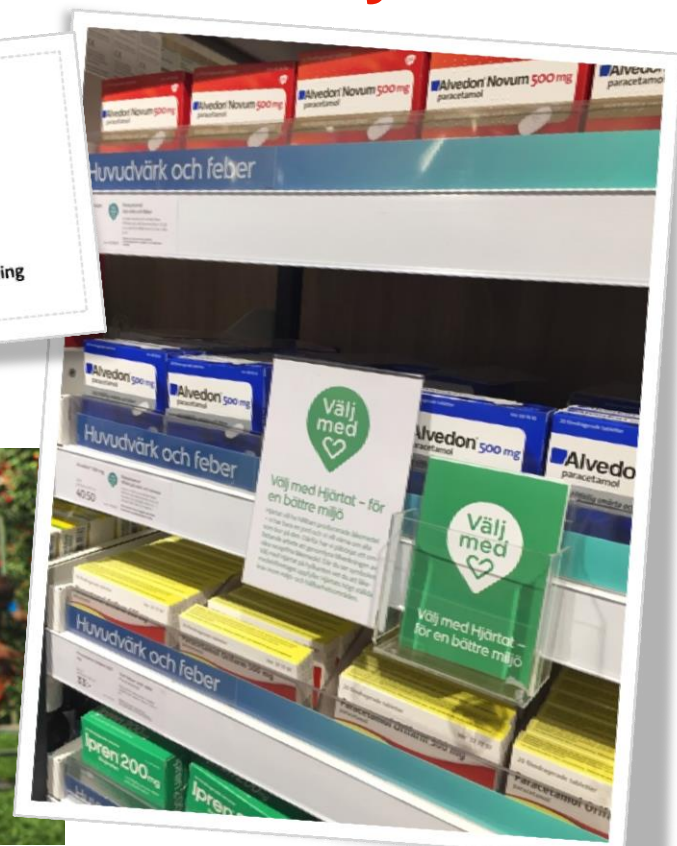
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**Välj med**

**Mot halsbränna**  
Effekt upp till 1 dygn

Syrautsöndringen minskar inom 2 timmar från första kapseln. Hämmar produktionen av magsyra och motverkar sura uppstötningar

Ingen särskild temperaturbegränsning



# In 2017, we will...



**Tell our Story**



**Create good initiatives**



**Celebrate**



# Financials

# Strong cash flow and EBIT margin in line with long-term target

MSEK	Q4 2016	Q4 2015	Change %
Net Sales	26,920	26,489	1.6
EBIT excluding non-recurring items	1,180	1,024	15.3
EBIT margin* %	4.4%	3.9%	0.5 pp
Cash flow**	2,645	1,995	-
Earnings per share (SEK)***	3.89	7.10	-45.2

\* Excluding non-recurring-items

\*\* Cash flow from operating activities excl. ICA Bank

\*\*\* EPS continuing operations

- Net sales higher – volume and price
- EBIT +9% on comparable basis - margin and volume
- Strong cash flow
- EPS lower due to one-offs

# EBIT variance analysis Q4 (estimate)

	MSEK
<b>EBIT excluding non-recurring items Q4 2015</b>	<b>1,024</b>
Sales Volume	6
Margin	97
Store costs	34
Other costs	-44
Deviation in profits for divested businesses	-12
Acquisition and integration related costs	76
<b>EBIT excluding non-recurring items Q4 2016</b>	<b>1,180</b>



# ICA Sweden – good wholesale volumes, EBIT margin stable

## ICA Sweden

- Net sales growth driven by higher wholesale volumes
- EBIT\* slightly higher
  - Robust wholesale volumes
  - Price investments
  - Logistics and distribution costs improving, helped also by fuel hedge results
  - Store costs still significantly lower
  - Advertising spending up

ICA Sweden			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	19,104	18,904	1.1
EBIT*	837	812	3.1
EBIT Margin*	4.4%	4.3%	0.1 pp

\*Excluding non-recurring items



# Rimi Baltic – very strong EBIT improvement

## Apotek Hjärtat – gross profit up, investing in market

### Rimi Baltic

- Sales growth in local currency +4.6%, driven by price and volume
- Improved EBIT\* and EBIT margin due to
  - Price and assortment mix
  - Better promotion management
  - Format mix and store productivity

Rimi Baltic			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	3,695	3,368	9.7
EBIT*	167	128	30.6
EBIT Margin*	4.5%	3.8%	0.7 pp

### Apotek Hjärtat

- Comparable sales in line with market, +4.2%
- Robust gross profit growth continuing, all elements improving
- Investing in digitalisation and marketing
- Store and e-commerce costs up

Apotek Hjärtat			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	3,198	3,182	0.5
EBIT*	102	20**	510.0
EBIT Margin*	3.2%	0.6%	2.6 pp

\*Excluding non-recurring items

\*\*Including integration costs of MSEK 76

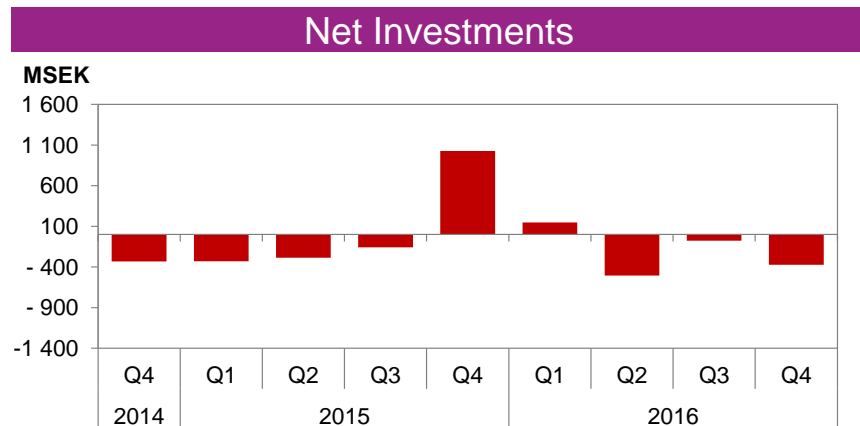
# ICA Real Estate – Norwegian properties divested

## ICA Real Estate

- Lower rent income due to divested properties
- EBIT\* improvement driven by
  - Discontinued depreciation in Norway +16 MSEK
  - Higher income from joint ventures +8 MSEK
  - Lower costs
- Divestment of Norwegian properties finalized 1 February 2017

\*Excluding non-recurring items

ICA Real Estate			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	603	606	-0.5
<i>whereof Net Income owned properties</i>	284	293	-3.1
Net Yield	7.1%	7.4%	-0.3 pp
EBIT*	141	112	25.9
EBIT Margin*	23.4%	18.5%	4.9 pp



# ICA Bank – still a challenging market

## Hemtex – strong ending to the year

### ICA Bank

- Net income slightly higher as a result of the growth of ICA Insurance
- EBIT\* lower due to
  - Lower repo rate and interchange fees
  - Lower income from pre-paid cards and ATM
- Actions on pricing model and fees to mitigate

### Other segments (Hemtex)

- Net sales down due to fewer store visitors
- Hemtex EBIT\* substantially improved
  - Considerable improvement of gross margin
  - Lower share of sales at reduced prices
  - Higher store costs but overall costs slightly down

ICA Bank			
MSEK	Q4 2016	Q4 2015	Change %
Net income	224	218	2.9
EBIT*	6	22	-72.1
Business Volume	32,288	28,859	11.9

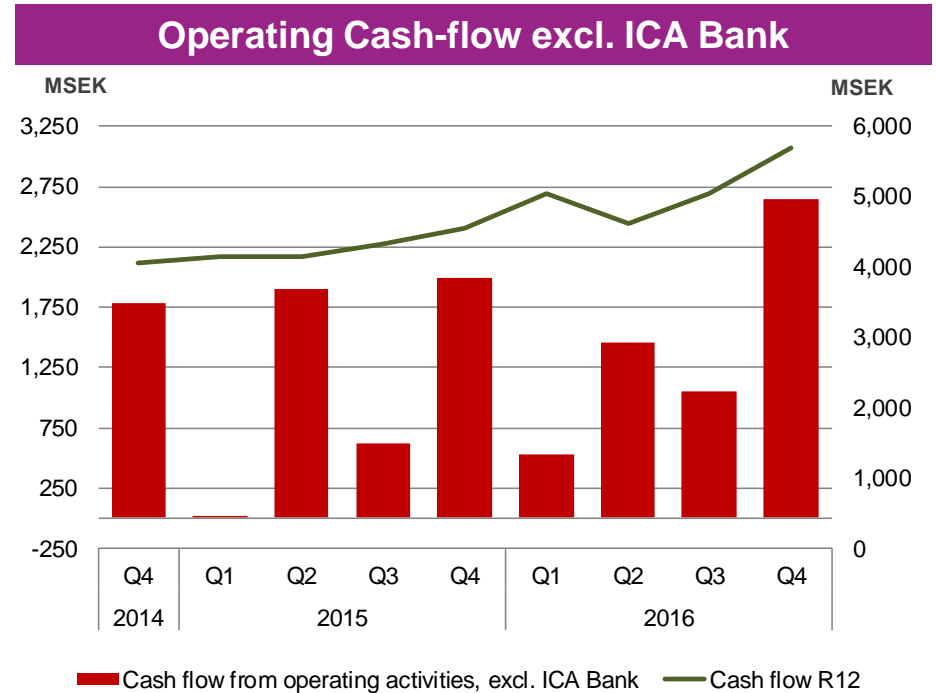
Other segments <sup>1)</sup>			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	369	506	-27.1
EBIT*	57	39	44.2
EBIT Margin*	15.4%	7.7%	7.7 pp

\* Excluding non-recurring items

1) Q4 2015 includes inkClub Net sales 127 MSEK and EBIT\* 12 MSEK

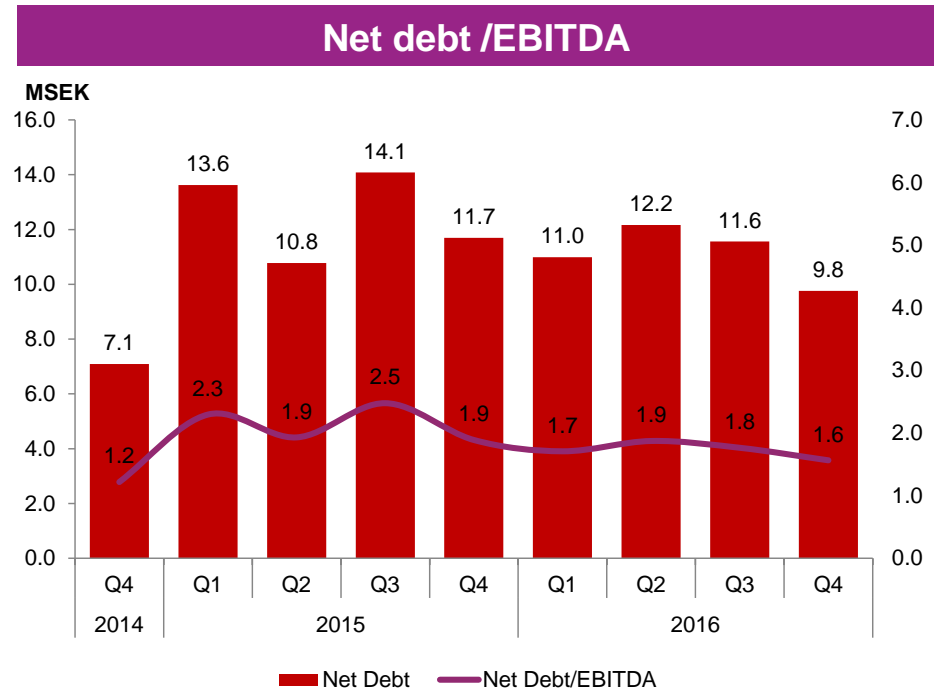
# Cash-flow very strong

- Cash-flow significantly better than preceding years' Q4
  - Good EBITDA growth, excluding capital gains
  - Better working capital movement



# Net debt/EBITDA continuing down

- Net debt/EBITDA ratio vs Q4 last year down by 0.3
- Development in full due to positive operating cash flow effect



# In line with long-term targets

Targets	R12 (31 Dec 2016)	Long-term targets
	Sweden ●	
	Baltics ●	
	Pharmacy ●	
Grow faster than market		All markets
EBIT margin excl. non-recurring items	4.5%	4.5%
ROCE*	10.5%	10%
Net debt/EBITDA**	1.6x	<2.0x
Proposed dividend 2017*** (% profit of the year)	61.8%	At least 50%

\* Excluding ICA Bank

\*\* Interest-bearing liabilities excluding pensions and ICA Bank minus cash and cash equivalents in relation to EBITDA, operating income before depreciation and impairment.

\*\*\* Proposed dividend of 2016 year result

# Outlook and summary



# Outlook

## ICA SWEDEN

- Continued focus on digitalisation, convenience, price value and sustainability
- Strong focus on reducing costs in logistics operations
- 10-15 store openings 2017 with focus on large cities as well as renewals of 250 stores

## RIMI BALTIC

- Closing the IKI acquisition, latest Q4
- Finalize conversion of Säästumarket to Rimi. 10 of 43 will be closed
- Higher pace in DC project
- 10 store openings in 2017

## APOTEK HJÄRTAT (PHARMACY)

- Continued focus on the E-commerce business
- Increased focus on sustainability
- 10-15 new pharmacies in 2017

## ICA REAL ESTATE

- Divestment of properties to Secore Fastigheter in Q2
- Divestment of Norwegian real estate takes down income by ~200 MSEK and EBIT by ~100 MSEK (all things equal)

## ICA BANK

- Develop new innovative digital services
- Continued roll-out of ICA Bank Corporate
- ICA Insurance ramp-up continues

## ICA GRUPPEN

- Capex approximately SEK 3.5 billion in 2017 from SEK 2.5 bn in 2016



# Summary

A good quarter and a good 2016

Increased market shares

Results in line with financial targets



# Disclaimer

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