



# Q4 report 2016

## Press and analyst presentation

8 February 2017

Per Strömberg, CEO  
Sven Lindskog, CFO



# 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

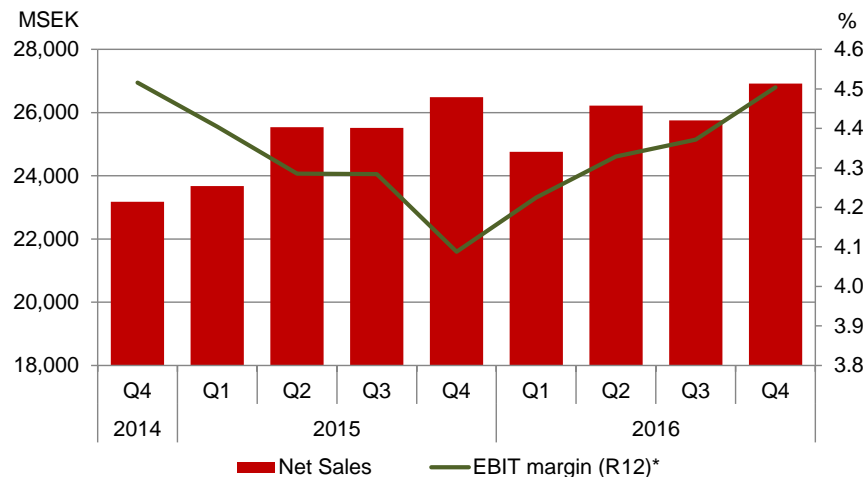
- Acquisition of Lithuanian food retail chain IKI
- Real Estate Norway divested, transaction finalized 1 Feb 2017. Capital gain of **400** MSEK

## 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

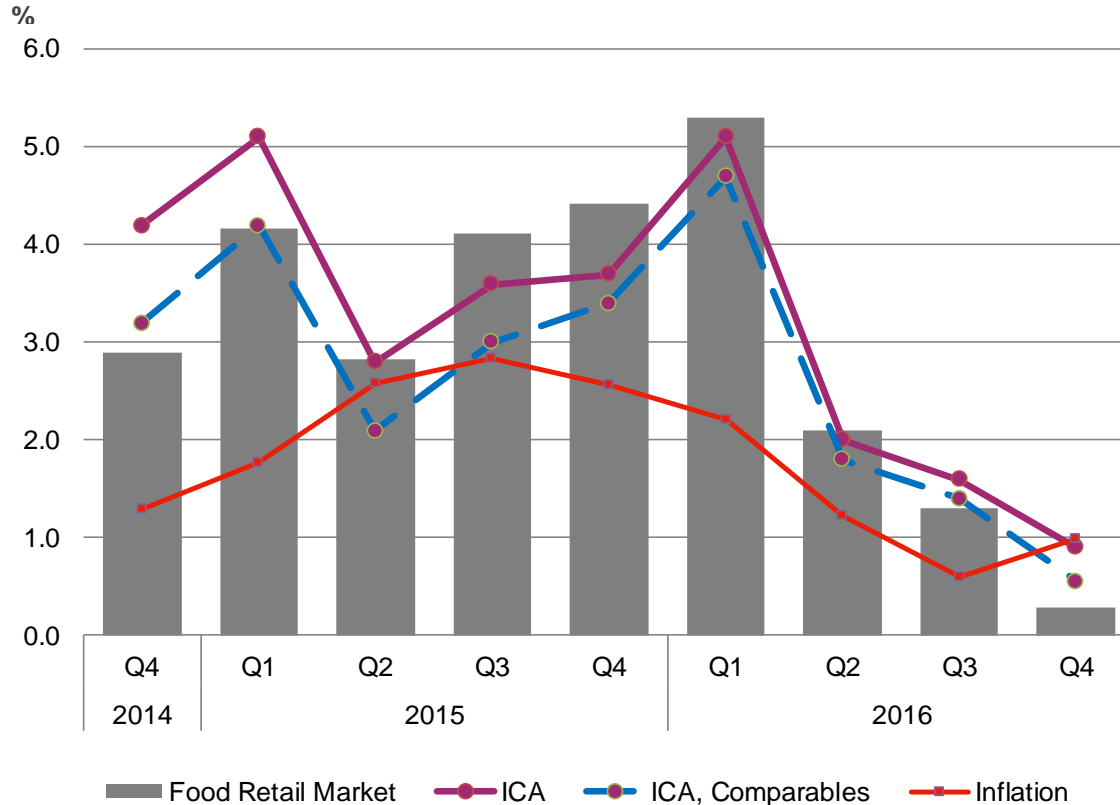
The Baltics

- 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

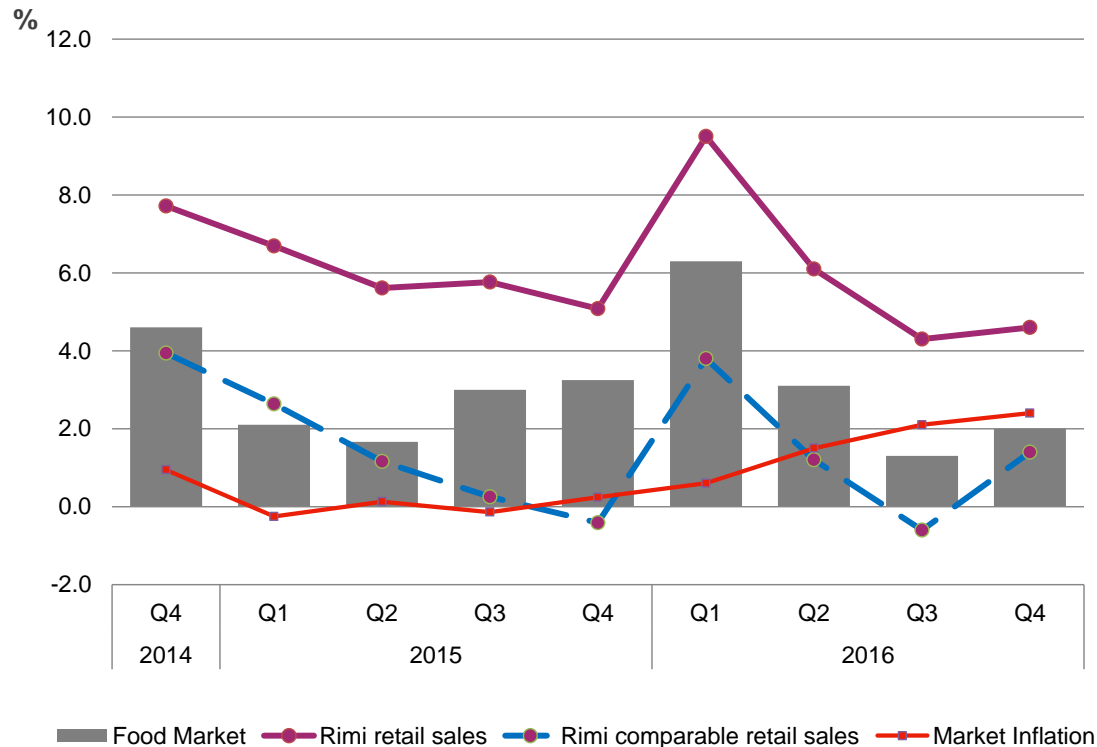


## Store sales and retail market in Q4

- 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

\*including VAT

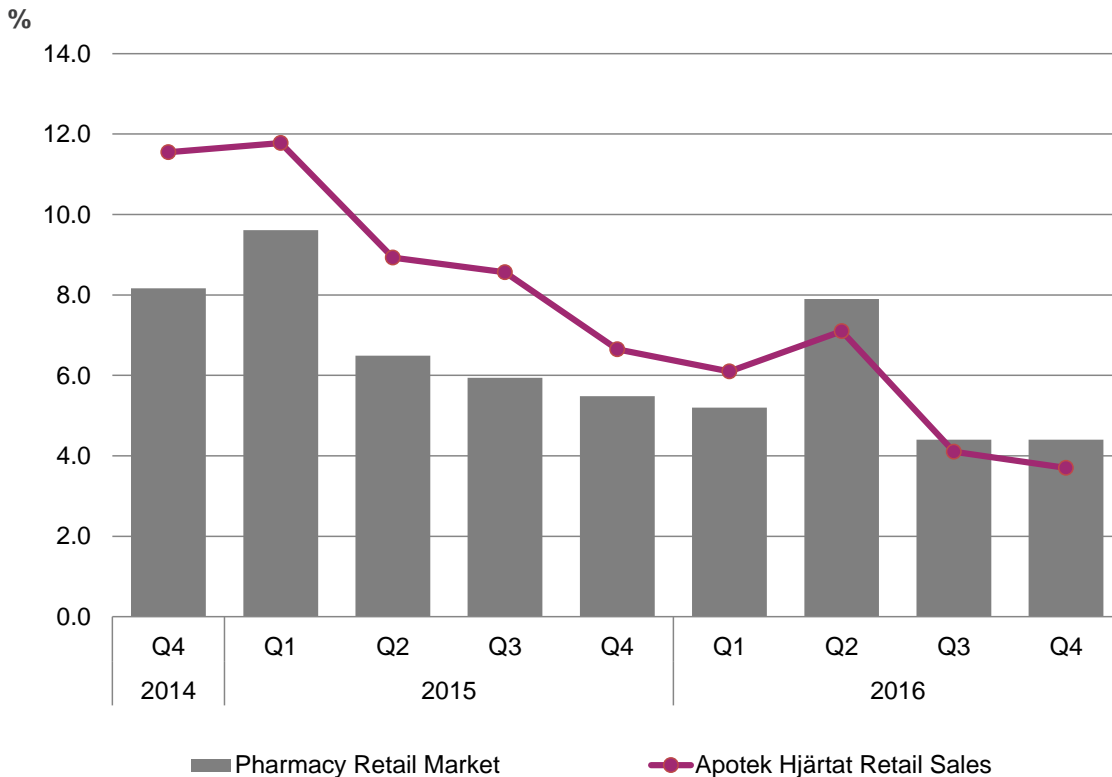
# Continued market share gains in Rimi Baltic in Q4



## 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**

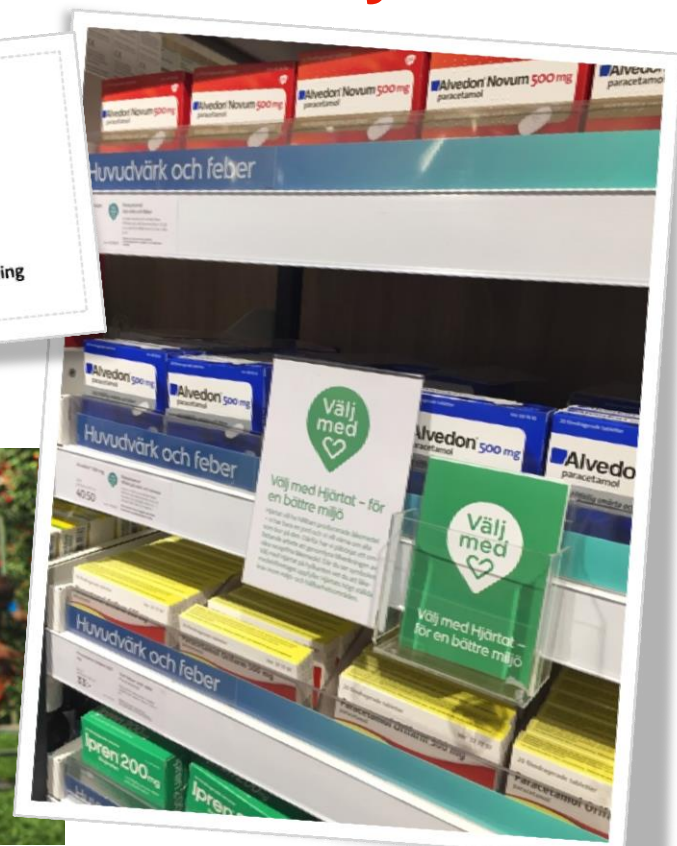
Vnr 492546

**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

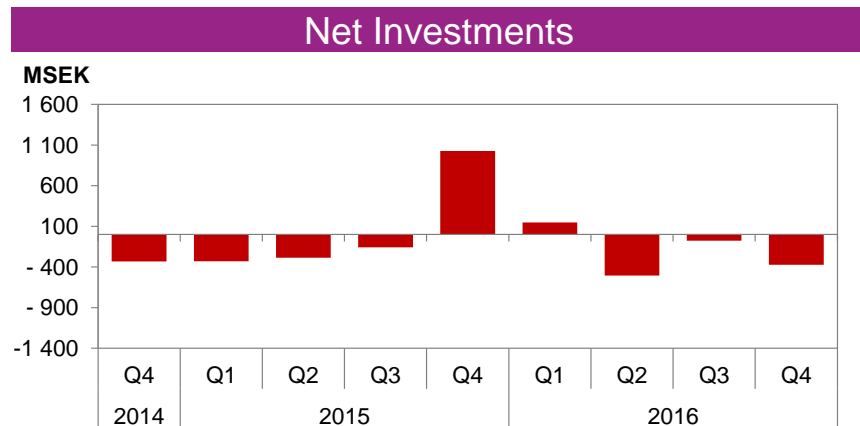
# ICA Real Estate – Norwegian properties divested

## 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

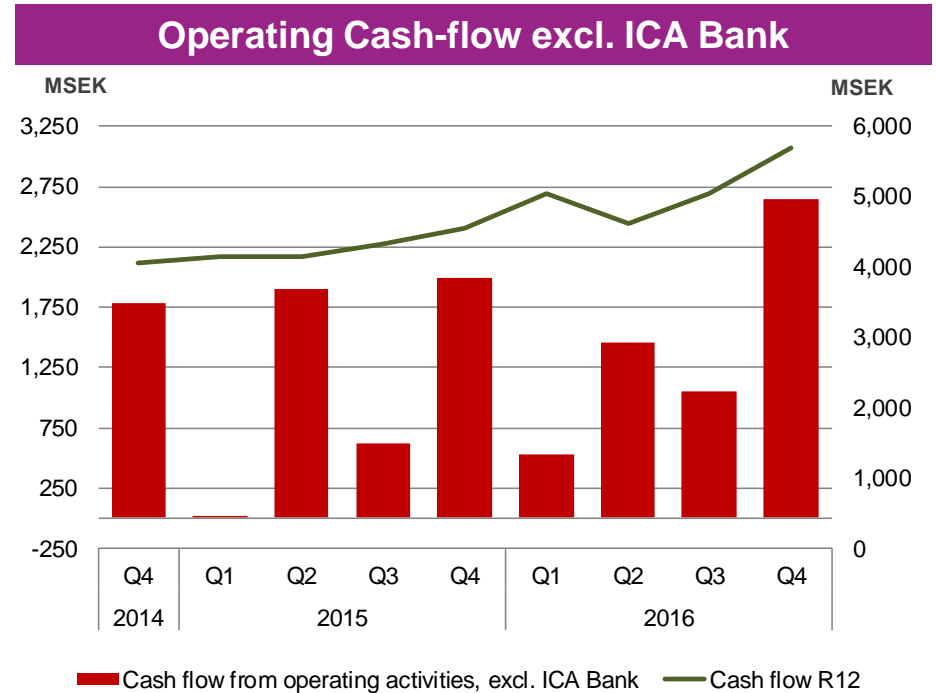
Other segments <sup>1)</sup>			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	369	506	-27.1
EBIT*	57	39	44.2
EBIT Margin*	15.4%	7.7%	7.7 pp

\* Excluding non-recurring items

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

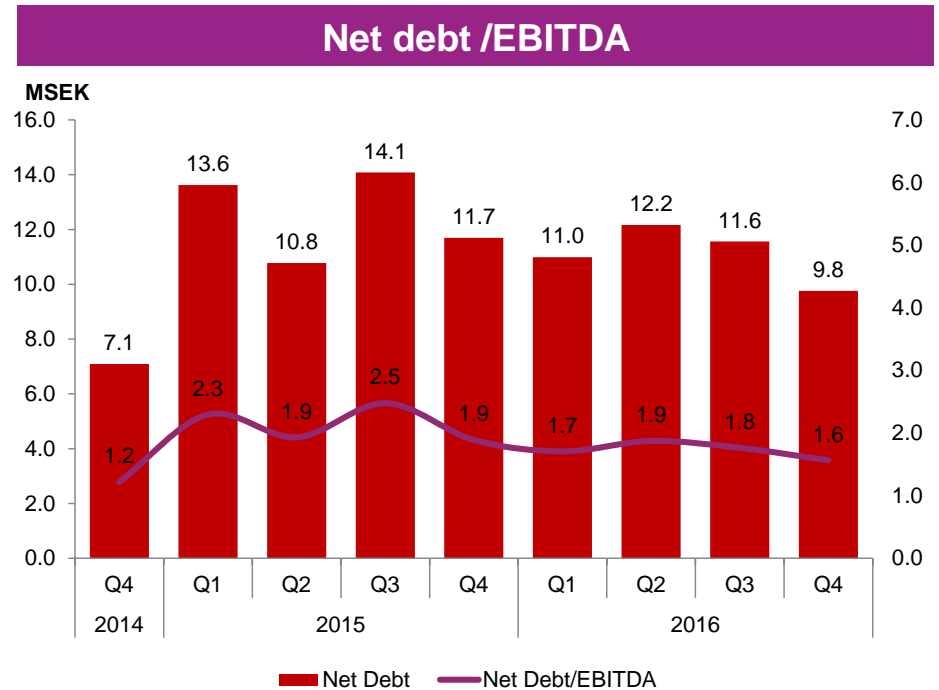
# Cash-flow very strong

- 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

*This information is such that ICA Gruppen AB is obligated to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication February 8, 2017 at 7.00 CET.*

*This report contains forward-looking statements that reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Although the Board of Directors and the management believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.*

*This report does not imply that the Company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with Nasdaq Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.*