



**ICA**  
GRUPPEN

# ICA Gruppen Investment case Q2 2020

# A stable foundation for continued profitable growth

**#1**

Leading positions and strong brands

ICA Gruppen has leading market positions in grocery retail and pharmacy supported by very strong brands.

**#2**

Unique business model in Sweden

Grocery retail business in Sweden combines market leading scale with local knowledge and entrepreneurship through independent retailers.

**#3**

Strong financial position and stable returns

A stable business and a strong financial position provides attractive returns for shareholders.

**#4**

Capacity to invest to capture new opportunities

Strong operational cashflows and scale enables investments in innovation, digitalisation and infrastructure.

**#5**

Extensive digital agenda

Ambitious agenda to reduce cost and capture additional synergies through digitalisation.

# Leading positions and strong brands

- A leading retail company **focused on food and health**
- A **synergistic group** structure where **each part contributes** to the whole
- Core business in grocery retail – **leading positions both online and offline** in Sweden under the ICA brand and strong position in the Baltics under the Rimi brand
- Supporting businesses, profitable in their own right and providing synergies to the core
- 2019 **total sales**: SEK 119bn of which **ICA Sweden**: SEK 85bn
- 2019 **Operating profit**: SEK 5.4 bn
- Share **listed on Nasdaq Stockholm** (Large Cap)

## Ambitious sustainability targets

- Climate-neutral operations by 2020
- Cut food waste in half by 2025
- Best at helping consumers make healthy choices by 2020
- Socially audited and quality certified corporate brand suppliers

## Long-term financial targets

Growth faster than the market

EBIT margin:	Dividend payout ratio:
<b>4.5%</b>	<b>&gt;50%</b>
ROCE:	Net debt/EBITDA:
<b>7.5%</b>	<b>&lt;3</b>

## Our vision:

We make everyday a little easier

**ICA**

Grocery retail market leader in Sweden

<b>1,277</b>	<b>36%</b>
Stores	Market share

<b>85,187</b>	<b>3,712</b>
Net sales	EBIT

**rimi**

Grocery retail with leading positions in Estonia, Latvia & Lithuania

<b>277</b>	<b>15%</b>
Stores	Market share

<b>16,168</b>	<b>744</b>
Net sales	EBIT

**APOTEK** 

# 2 pharmacy chain in Sweden

<b>390</b>	<b>31%</b>
Stores	Market share

<b>14,778</b>	<b>464</b>
Net sales	EBIT

**ICA Fastigheter**

ICA Real Estate - supports ICA Sweden's store network

Real estate portfolio – book value SEK 15.4 bn, estimated market value SEK 21.3 bn.

<b>2,731</b>	<b>504</b>
Net sales	EBIT

**ICA banken**

ICA Bank - full-service bank and insurance offering

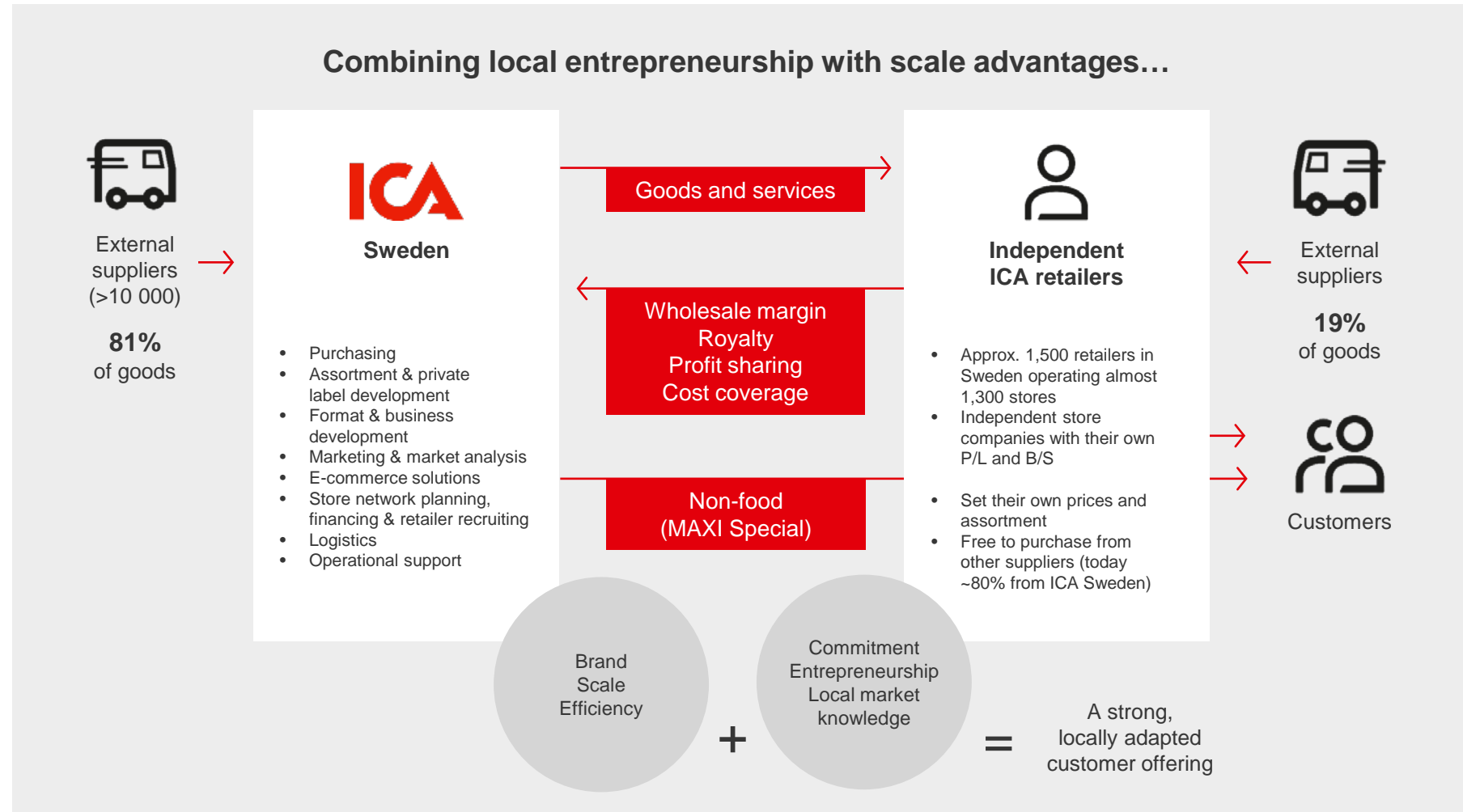
<b>&gt;800 000</b>	<b>&gt;170 000</b>
Bank customers	Insurance customers

<b>1,570</b>	<b>244</b>
Net sales	EBIT

SEK million. All figures as of end 2019. Real estate BV & MV as per Q3 2019

# Unique business model in Sweden

- A unique business model where independent retailers own their stores and decide on assortment and pricing. Founded in 1917 and a major success factor for ICA over the past century. Still unique and relevant
- ICA Sweden – wholesale sales to the retailers while also offering supporting services, such as e-commerce fulfilment, central marketing and payment solutions
- ICA Sweden also responsible for store network planning, initial financing & retailer recruiting
- Four different store formats
  - ICA Maxi
  - ICA Kvantum
  - ICA Supermarket
  - ICA Nära



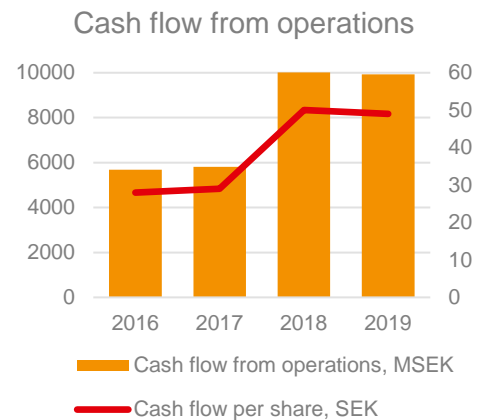
# Strong financial position and stable returns with the capacity to invest to capture new opportunities

## Leading positions and strong brands...

- ICA – a market leader in grocery retail in Sweden and one of Sweden’s best-known brands
- Rimi Baltic – strong retailer positions in Estonia, Latvia and Lithuania. #1 in Latvia
- Apotek Hjärtat – the second largest company in the Swedish pharmacy market
- ICA Real Estate has a large and actively managed property portfolio within the retail segment – AUM ~SEK 20 bn
- ICA Bank – >800,000 customers and a vital part of the ICA system

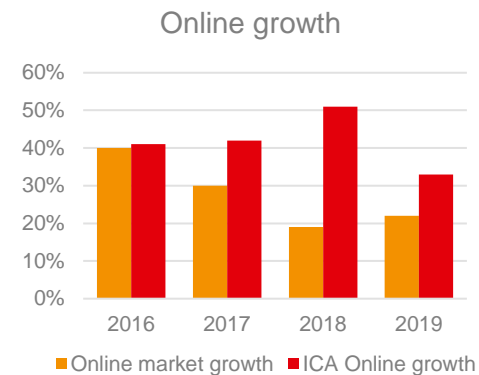
## ...generating a solid cash flow and a stable financial performance...

- Supports core business development
- Funds growth projects
- Enables stable return for the shareholders.



## ...that allows us to capture opportunities – both online and offline

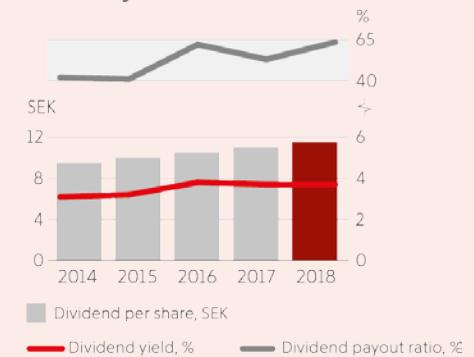
- Digitalisation of retail requires large upfront investments in infrastructure, systems and competences – scale matters
- Growth in online sales outperforming average online market growth



## Attractive historical return

Since formed in 2013, ICA Gruppen has gradually increased its ordinary dividend while also managing to maintain a high level of investment. The Group’s financial targets include providing a dividend of at least 50% of profit for the year. The target reflects ICA Gruppen’s stable earnings and is to be at a competitive level for the sector.

## Dividend per share and dividend yield



# Extensive digital agenda – focus on four areas



## E-commerce & omni channel

- ICA: Increased capex spend on e-commerce infrastructure with back-end systems and e-commerce warehouse. Ocado-powered CFC to open in 2022.
- Rimi Baltic: Launch of online shopping in 2019/2020
- Apotek Hjärtat: A broader offering and faster deliveries
- Aim to significantly improve last mile offer in major cities



## Digital ecosystem

- ICAX has launched two services and has a strong pipeline in five areas: shopping journey, health, sustainability, simplifying life, and household economy



## Personalized & digital marketing

- Scaling up personalisation across channels through new loyalty program (Customer Loyalty 2020)
- Large volume of customer data



## Process automation

- Reduces labour costs and increases quality and speed
- Machine learning to optimise performance of pricing, assortment planning, etc

ICA online 2019



Total sales online:	Online share of total sales	Online share active stores:	Growth in sales online 2019
<b>SEK 2.3 bn</b>	<b>1.9%</b>	<b>2.9%</b>	<b>+33%</b>

Apotek Hjärtat online 2019



Online total market share of sales: <b>&gt;10%</b>	Online market growth <b>+36%</b>	Apotek Hjärtat online growth <b>+40%</b>
--	----------------------------------	--

## Key digital initiatives

- AI & Data centre of excellence
- Ocado deal signed
- First ICA dark store
- Apotek Hjärtat launches Click&collect, Click&express
- Investment in and partnership with Min Doktor
- Launch of My climate goal, ICA Voice and ICA Spara

# Q2 Report 2020

## Strong quarter, but mixed impact from covid-19

### Financial

Net sales:  
**+4.6%**

EBIT:  
**+6.4%**

EBIT margin:  
**4.5%**

### Events

ICA Real Estate's acquisition of the logistics property in Västerås for net SEK 1 billion concluded

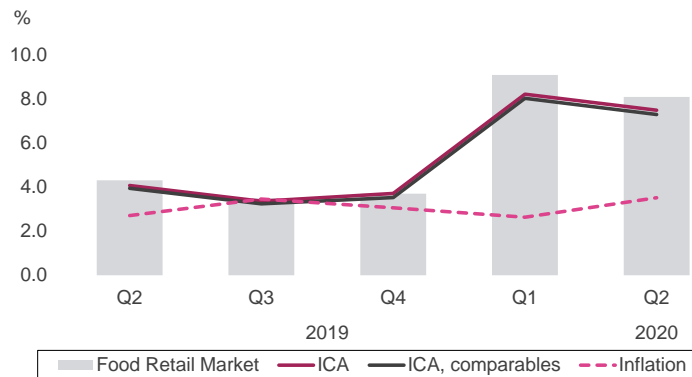
Anna Nyberg started as new CEO of ICA Real Estate from August 17

Extraordinary General Meeting September 22 to decide on the Board's proposal of a second dividend of SEK 6/share

### Store sales and retail market in Q2

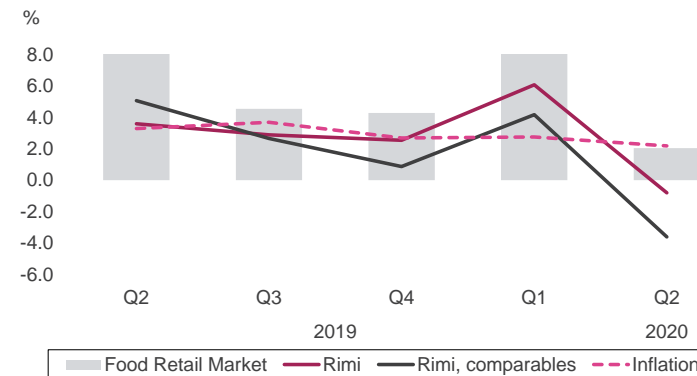
**Sweden** – ICA sales growth subdued due to store network structure

- ICA store sales in Sweden, growth of +7.5%, in comparable stores +7.3%. Higher average buy in March
- Price and calendar effect of +3.5% (price +3.5%, calendar 0.0%)
- Market growth\* +8.1%
- ICA Online sales growth +148%. Market growth\* online +114%
- Establishments Q2: 3 new stores



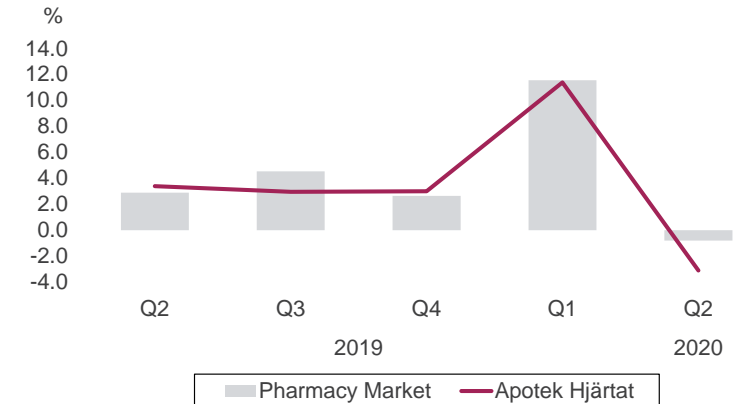
**Rimi Baltic** – Sales held back by covid-19 effects across all countries

- Rimi store sales -0.8%, comparable sales -3.6%
  - Estonia comparable -10.1%
  - Latvia comparable -2.1%
  - Lithuania comparable +0.2%
- Market growth +2.0%
- Food inflation +2.2%
- Establishments Q2: 4 new stores



**Apotek Hjärtat** – Sales drop due to significant hoarding reversal

- Apotek Hjärtat sales growth -3.1%
  - Prescription -3.5%
  - OTC -12.8%
  - Traded goods +5.1%
- Market growth of -0.8%
- Online growth, Apotek Hjärtat +104%, market+69%
- Establishment Q2: 1 new pharmacy



### MSEK Net sales

Q2 2020	Q2 2019	Change %
<b>31,924</b>	<b>30,529</b>	<b>+4.6%</b>

### EBIT

Q2 2020	Q2 2019	Change %
<b>1,452</b>	<b>1,365</b>	<b>+6.4%</b>

### EBIT margin

Q2 2020	Q2 2019	Change %
<b>4.5%</b>	<b>4.5%</b>	<b>+0.1pp</b>

\*Source DVI = Food retail index/Dagligvaruindex