



Q1 report 2018

Press and analyst presentation

27 April, 2018

Per Strömberg, CEO
Sven Lindskog, CFO



In brief

Strong sales and online growth

Lower margin in Sweden but long-term targets remain

Strong cash flow



Good sales development but lower margin in ICA Sweden

- Good sales development, positive Easter calendar effect and impact from higher sales of high-price drugs
- Underlying sales development +3.5%, driven by volume and price
- EBIT -1.3%, adjusted for divestment of real estate in Norway and IKI integration costs

Events

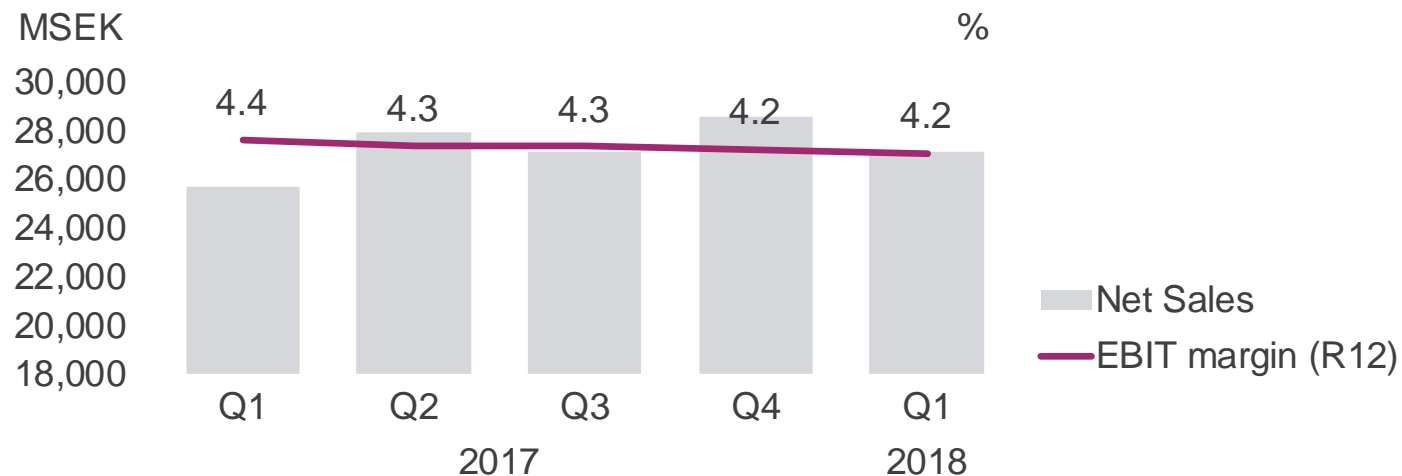
- Lithuanian Competition Authority blocked Rimi Baltic's acquisition of UAB Palink (IKI)
- Dark store opened in April

Annual General Meeting on April 12

- Dividend of SEK 11.00/share decided
- Fredrik Persson elected new board member

MSEK	Q1 2018	Q1 2017	Change %
Net sales	27,181	25,703	5.8
EBIT	972	996	-2.4
EBIT Margin	3.6%	3.9%	-0.3 pp

Net sales and EBIT margin R12



EBIT equals EBIT excluding items affecting comparability on all slides in this presentation.

Markets



Competitive markets

Sweden

- Price driven market growth
- Food inflation lower compared to Q4
- Fierce competition within non food

The Baltics

- Weak volume growth
- High inflation in Estonia and Lithuania, lower level in Latvia
- Price competition fierce in all three countries
- Lidl expansion – now 36 stores in Lithuania

Pharmacy

- Price driven market growth (high-price drugs)
- Traded goods continue to show the highest growth rate
- Continued strong online competition



ICA Store sales growth estimated to be at least in line with market

Store sales and market in Q1

ICA store sales growth of +5.2%,
comparable stores +4.7%

- Sales mainly driven by increased average buy (price)

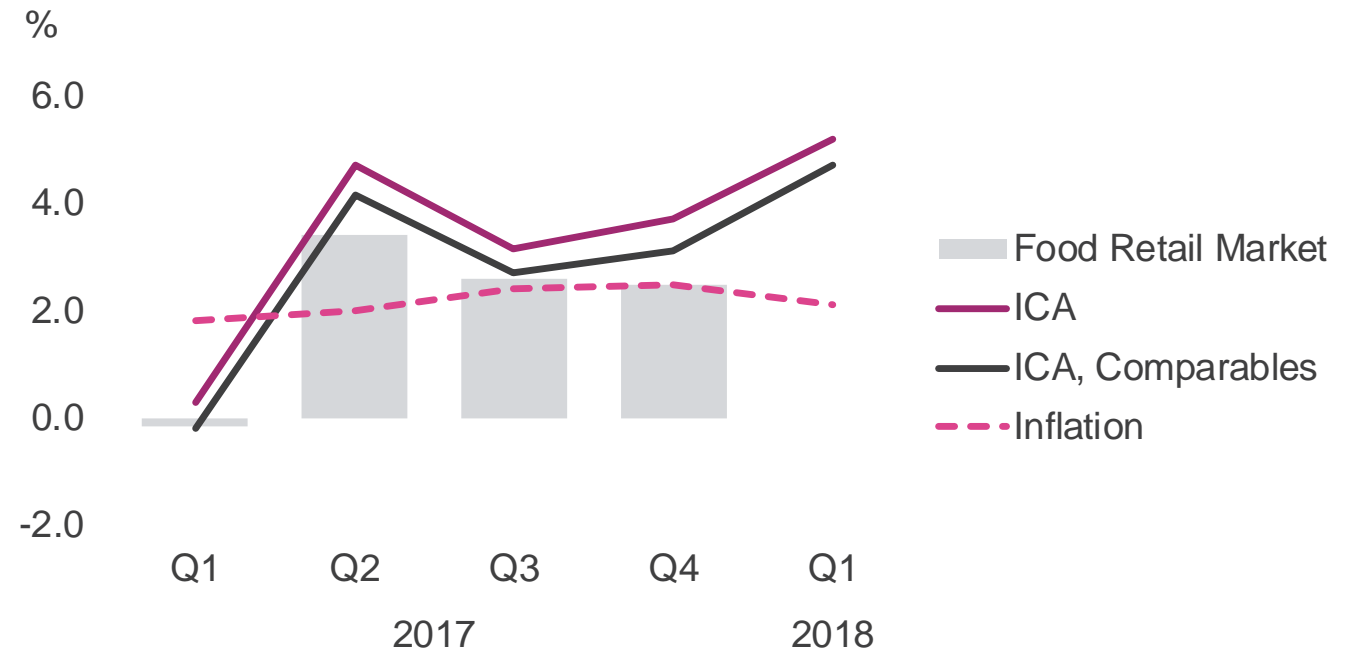
Price and calendar effect of +4.0%
(price +2.1%, calendar +1.9%)

ICA Online sales growth +52% (food online +60%, menu baskets +21%).

- Market growth +30% (food online +48%, menu baskets -4%)
- Approximately 208 ICA stores selling food online. 615 offers menu baskets

Q1 establishments: 2 new stores

Sales development for ICA stores in Sweden (incl. VAT)



The graph will be updated when final market data is available at the end of May

Market share affected by store conversions and fierce competition

Store sales and market in Q1

Rimi store sales +2.5%, comparable sales +3.0%

- Estonia comparable +1.4%
- Latvia comparable +3.8%
- Lithuania comparable +2.5%

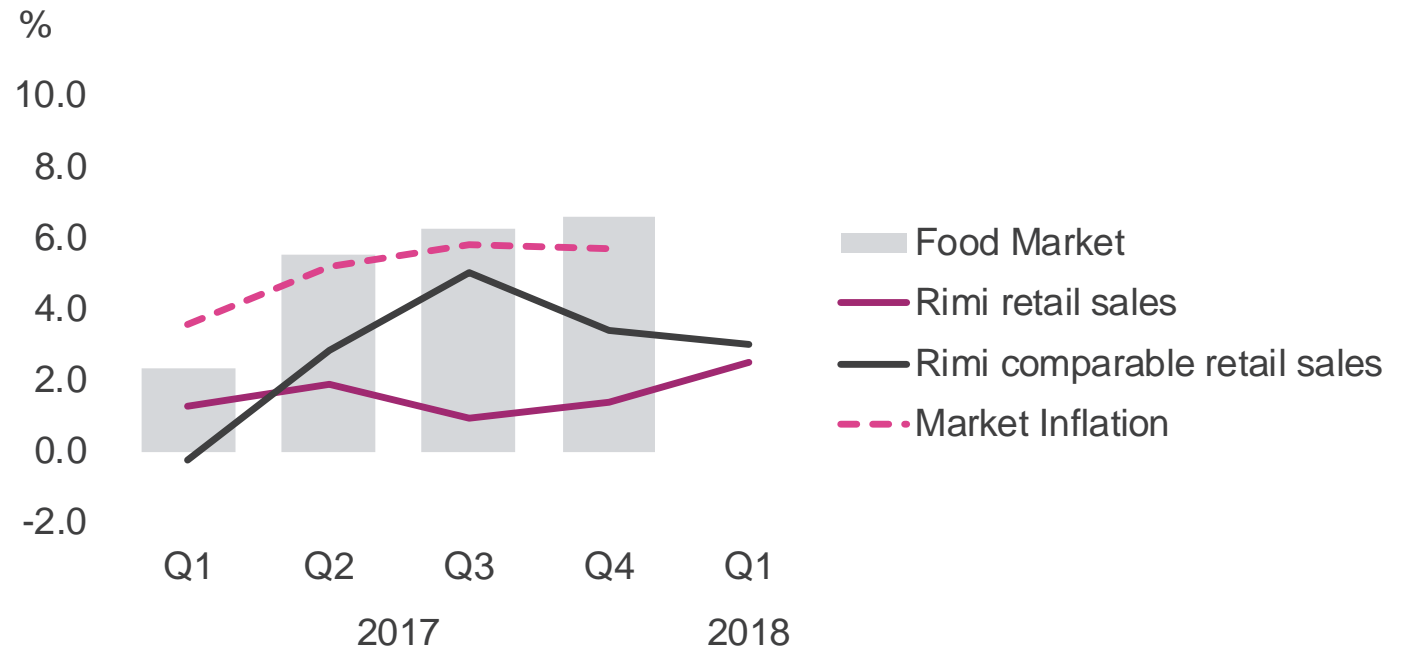
Inflation YTD Feb

- Estonia 6.5%
- Latvia 1.3%
- Lithuania 5.2%

Market growth YTD Feb +4.7%

Establishments Q1: 2 stores

Sales development for Rimi Baltic stores



The graph will be updated when final market and inflation data is available in the beginning of May

Good sales development in line with market growth

Store sales and market in Q1

Apotek Hjärtat sales growth +8.2%, adjusted growth +2.7% (constant prices prescription drugs), including negative Easter calendar effect of -1.1%

- Prescription +9.0%
- OTC +1.6%
- Traded goods +9.1%

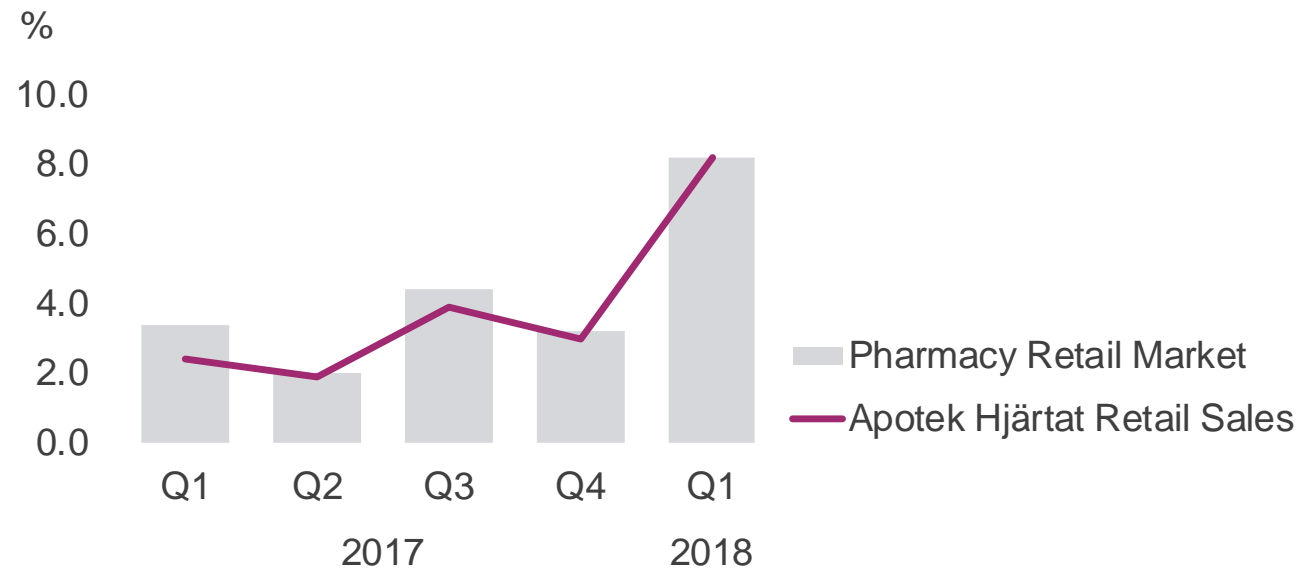
Market growth of +8.2%. Adjusted +2.2%

- Prescription +8.4%
- OTC +1.6%
- Traded goods +11.7%

Very strong online growth, Apotek Hjärtat +66%, market growth +43%

Q1 establishments: 1 new pharmacy

Sales development for Apotek Hjärtat pharmacies



Highlights



Continued strong Online sales growth in our businesses in Q1

ICA SWEDEN

Menu Baskets

+21%



Food Online

+60%

+52%

APOTEK HJÄRTAT



+66%

HEMTEX

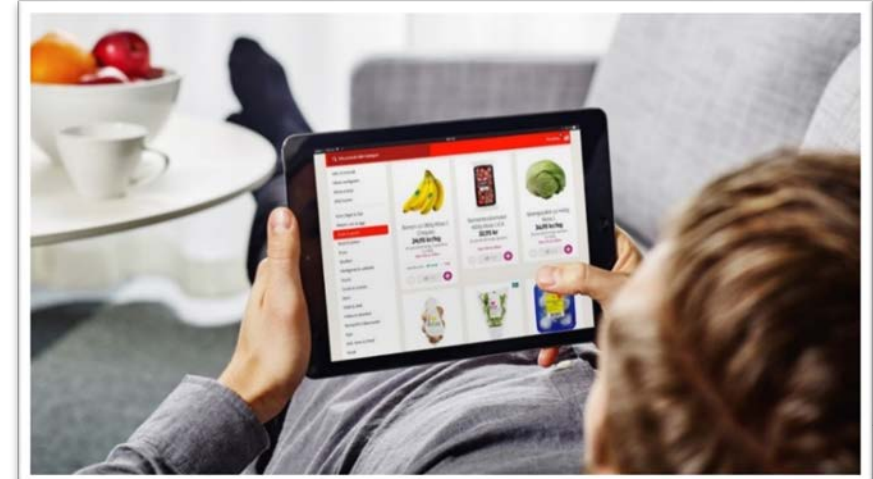


+47%

Online sales growth Q1 2018 vs Q1 2017

Dark store up and running in Stockholm in April

- Increased volumes in ICA online business
 - Sales SEK 1.2 billion in 2017, +50% growth
 - Sales Q1 ~ 420 MSEK, +52% growth
 - Home delivery rate ~50%
 - Online share of sales in active stores ~3%
- ~50 stores have signed up
- Currently temporary location – permanent location from Q3
- The dark store will keep 12,000 items in stock in food plus items within home and leisure
- Deliveries seven days a week with 2-hour slots between 07-22
- Voluntary add-on service to be decided by the independent retailer



Positive development of ICA Gruppen's sustainability work

Decrease
in emissions
compared with 2006

-54%

Socially audited
suppliers of corporate
brands in
high-risk countries

97%

Vs. goal of 100%

Quality certified
suppliers of
corporate brands

86%

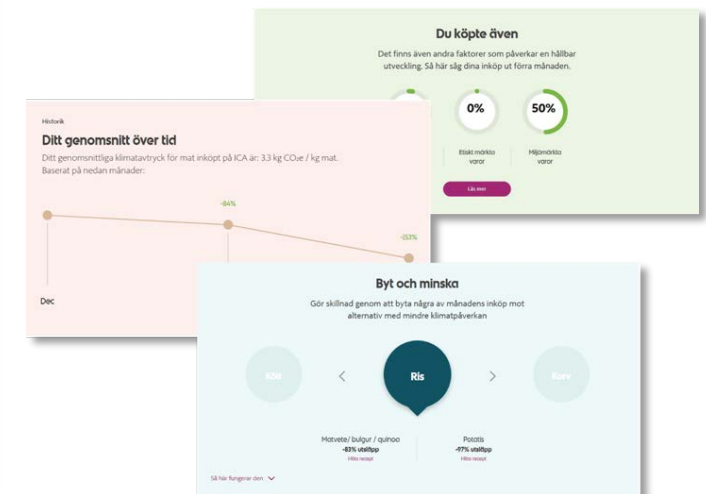
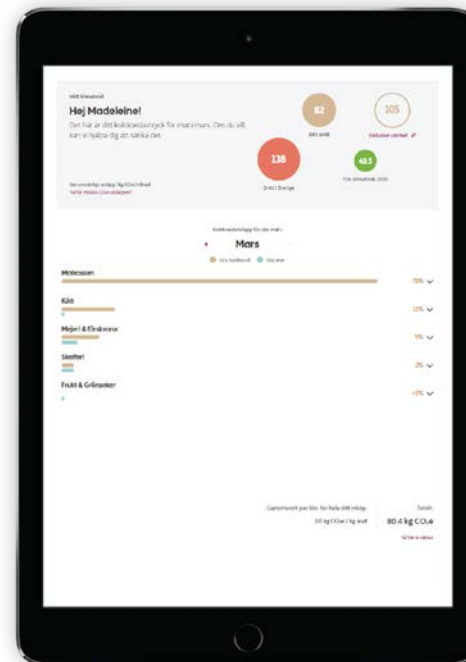
Vs. goal of 90%

All data is rolling 12 months (Q2 2017- Q1 2018)



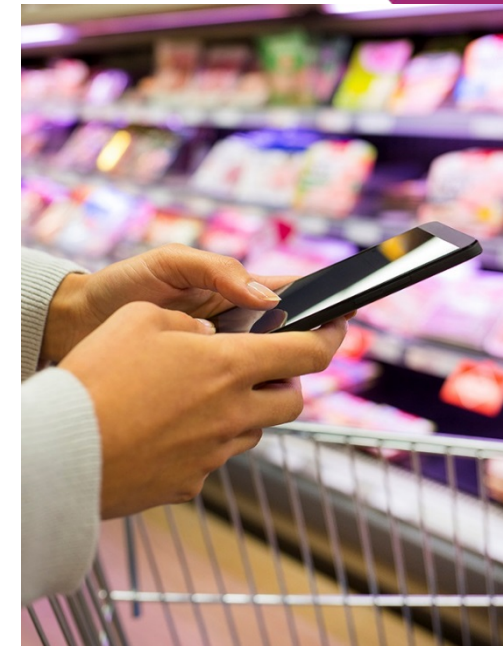
Our new climate tool for consumers launched – My Climate Goal

- A digital tool enabling ICA customers to stay updated on their climate footprint connected to their food purchases
- When paying with the ICA card, the climate imprint for each food category is registered at the customer's account at ica.se
- ICA also provides suggestions on how to lower the imprint with for e.g. recipes and choices of groceries



Customer loyalty 2020 will drive higher sales and margins with personalized offerings

- Why a marketing transformation program?
 - Our customers demand relevant communication and personalized offerings
 - New competitors are coming and current competitors are developing
 - Secure ICA's future leadership – in the digital world
- By cross referencing data and using machine learning, we can now analyze a campaign's overall economic impact
- Enables us to predict in advance how the customers will respond to marketing campaigns and helps us drive higher sales and margins



Financials



Good sales development and continued strong cash-flow, but lower EBIT margin

Net sales +5.8%, positive impact from Easter calendar effect and higher sales of high-price drugs. Underlying growth +3.5%

EBIT development -1.3%, adjusted for divestment of real estate in Norway and IKI integration costs

EBIT margin lower (ICA Sweden)

Operating cash flow robust and significantly higher than last year

EPS lower this quarter due to non-recurring item in 2017

MSEK	Q1 2018	Q1 2017	Change %
Net Sales	27,181	25,703	5.8
EBIT ¹	972	996	-2.4
EBIT margin %	3.6%	3.9%	-0.3 pp
Cash flow ²	1,016	492	106.5
Earnings per share (SEK)	3.46	5.61	-38.3

¹ EBIT Q1 2018 includes costs related to the planned integration of IKI of MSEK 9

² Cash flow from operating activities excl. ICA Bank



EBIT variance analysis Q1 (estimate)

	MSEK
EBIT Q1 2017	996
Sales Volume	194
Margin	-40
Store costs	-66
Other costs	-100
Variance due to EBIT of divested businesses	-14
Acquisition and integration related costs	3
EBIT Q1 2018	972



Good sales development but lower margins

Net sales growth +4.7%

- Good volume growth in comparable as well as new stores, and higher buying percentage
- Positive Easter calendar effect ~1.5%

EBIT slightly lower

- + Sales volume
- Gross margin
 - Price effects
 - Logistic cost inflation
 - Currency effects
 - Costs of services sold
- Investing in digitalization and development projects

MSEK	Q1 2018	Q1 2017	Change %
Net sales	19,358	18,493	4.7
EBIT	758	789	-4.0
EBIT Margin	3.9%	4.3%	-0.4 pp



Strong EBIT development despite conversions and integration costs

Net sales growth in local currency +2.6%

- Weak volume growth
- Continued high inflation driven by higher prices and regulations
- Positive Easter calendar effect +1.0%

Good EBIT progress

- + Price and mix
- + Gross margin impact from converted HD stores in Estonia
- + Improved PL margin and campaign efficiency

MSEK	Q1 2018	Q1 2017	Change %
Net sales	3,548	3,298	7.6
EBIT ¹	118	94	24.9
EBIT Margin	3.3%	2.9%	0.5 pp

¹ EBIT Q1 2018 includes costs related to the planned integration of IKI MSEK 9



Sustained gross profit progress, strong online growth

Sales growth +8.1%

- Price driven growth
- Negative Easter calendar effect -1.1%

Adjusted sales growth +2.7% (constant prices prescription drugs), mainly due to good development in comparable stores

Slightly improved EBIT

- + Price/mix
- + Improved gross margin (adjusted)
- Investing in e-commerce, digitalization, marketing and “Minutkliniken” (health care center)

Adjusted EBIT margin (fixed price Prescribed) 2.9%

MSEK	Q1 2018	Q1 2017	Change %
Net sales	3,430	3,173	8.1
EBIT	94	90	4.4
EBIT Margin	2.7%	2.8%	-0.1 pp



Higher investments

Underlying net sales down

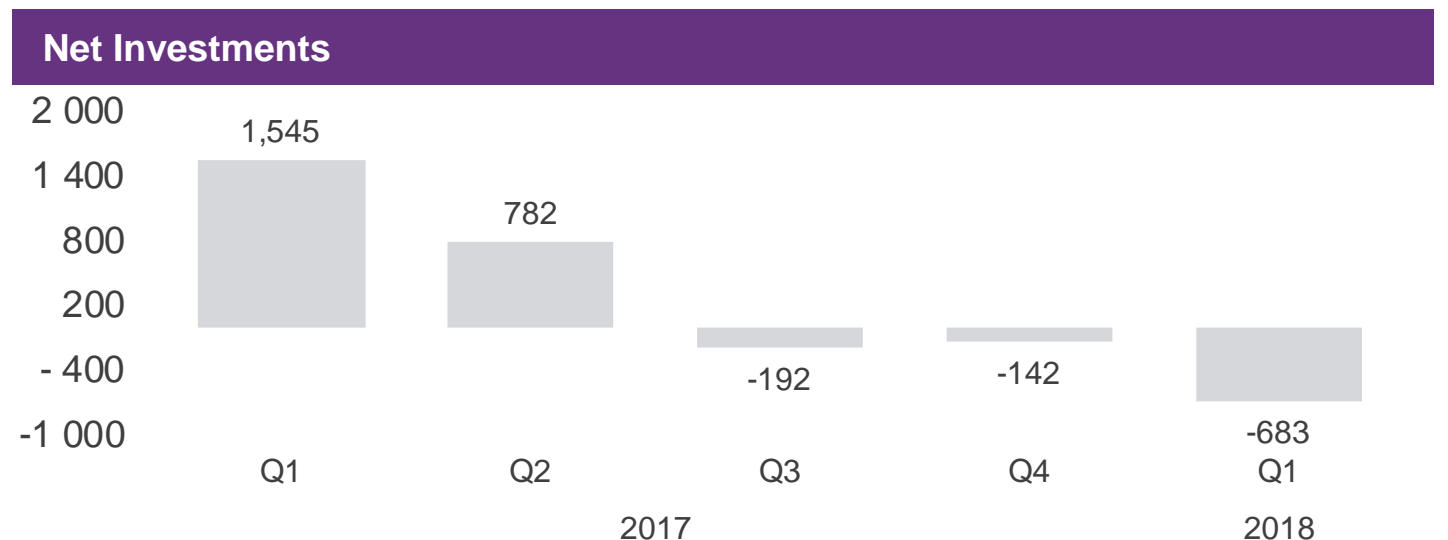
- Divestment of real estate in Norway -17 MSEK and to Secore -18 MSEK
- Net sales include 33 MSEK internal invoicing (EBIT neutral and eliminated on Group level)

EBIT development

- Divestments of real estate in Norway and Secore
- Slightly higher costs
- + Higher income from joint ventures and investments

- Properties acquired from KPA Pension consolidated as of 1 Feb, 2018
- Substantially higher investments than last year, some investments delayed from 2017 in to 2018

MSEK	Q1 2018	Q1 2017	Change %
Net sales	642	596	7.7
<i>whereof owned properties</i>	245	258	-5.4
Net Yield	6.5%	6.6%	-0.1 pp
EBIT	90	109	-17.8
EBIT Margin	14.0%	18.3%	-4.3 pp



Increasing income and continued good EBIT progress

Net income growing

- One-time effects
 - Card commission agreement MSEK +12
 - ICA Insurance (reduction of re-insurance program) MSEK +36
- Customer loans and corporate loans
- ICA Insurance

EBIT progress

- + Net interest, volume driven
- + One-time effect, pre-paid cards
- Increased credit losses, volume and IFRS9 related
- Investing in sales organization related to the transformation of operations

MSEK	Q1 2018	Q1 2017	Change %
Net income	322	226	42.4
EBIT	26	6	309.4
Business Volume	42,648	33,760	26.3



Customer visitors and online growth encouraging, some negative currency impact

Sales marginally down

- More customer visits in stores
- Strong growth in online sales
- Higher share of sales of low-price products led to lower average spend

Lower EBIT

- Price and mix
- Gross margin temporarily affected by strong USD
- + Lower costs

MSEK	Q1 2018	Q1 2017	Change %
Net sales	223	228	-2.2
EBIT	-20	-14	-42.5
EBIT Margin	-9.0%	-6.1%	-2.9 pp



Strong cash flow growth sustained

Operating cash flow

- Working capital progress
 - Supply chain financing
 - Easter effect



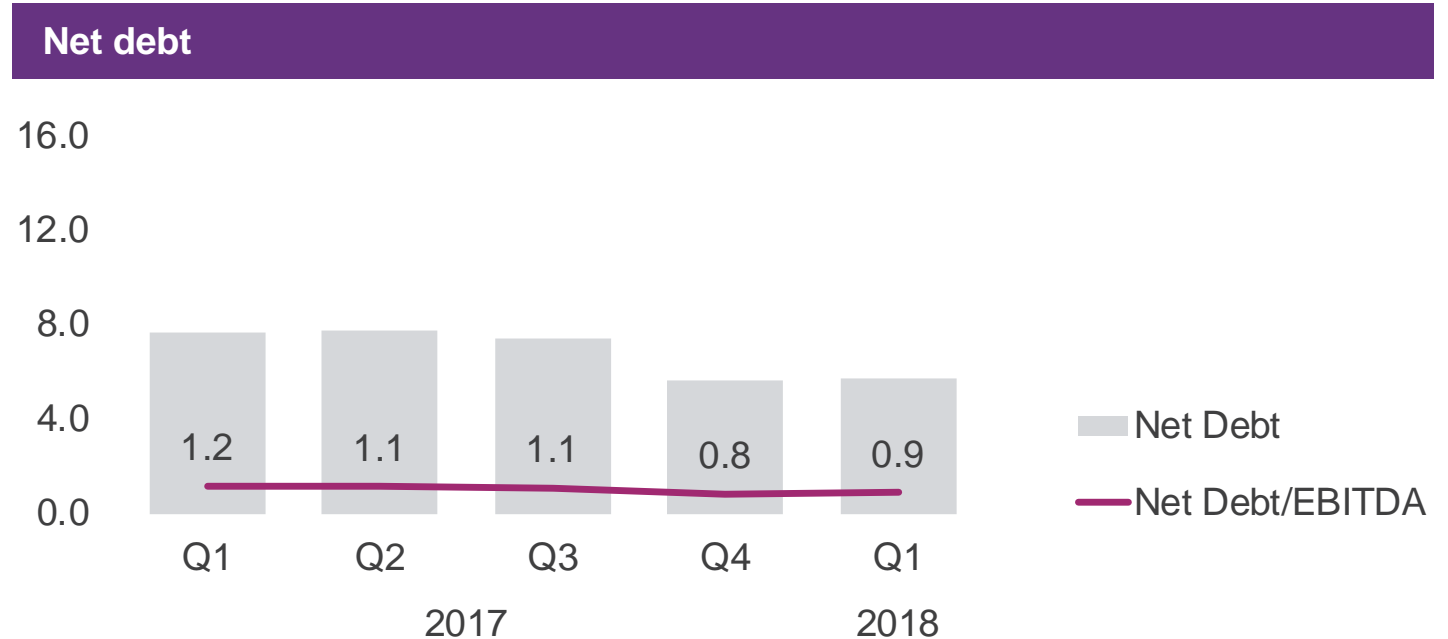
Cash flow



Net debt ratio continues to be well in line with financial target

Net debt/EBITDA ratio vs Q1 last year
down by 0.3

+ Operating cash flow driven



Slightly lower margin in the quarter

Targets	R12 (31 Mar 2018), %	Long-term targets, %
Grow faster than market ¹	Sweden ● Baltics ● Pharmacy ●	All markets
EBIT margin excl. non-recurring items ²	4.2	4.5
ROCE ³	11.2	10
Net debt/EBITDA ⁴	0.9x	<2.0x
Dividend (% profit of the year 2017)	53	At least 50

IFRS15 impact on EBIT margin -0.1%

¹Swedish growth based on latest definitive market data Q4, 2017. Growth Baltics is R12 Feb, 2018

² The changeover to IFRS 15 entails a new determination that ICA Gruppen acts as a principal and not as an agent in a few contracts, which has an effect on the EBIT margin

³ Excluding ICA Bank

⁴ Interest-bearing liabilities excluding pensions and ICA Bank minus cash and cash equivalents in relation to EBITDA, operating income before depreciation and impairment



Outlook and Summary



Outlook



ICA Sweden

- Continued focus on digitalization, convenience, price value, health & sustainability
- Program to restore EBIT margin
- Ramp-up of Dark store
- 10-14 store openings 2018 with focus on large cities

ICA Real Estate

- Continue to develop urban places with ICA stores and Apotek Hjärtat as a hub

Rimi Baltic

- New DC in Riga moving into more intense phase
- One Brand Strategy in Latvia
- 6-8 store openings in 2018

ICA Bank

- Bank transformation proceeding
 - Develop new digital services
 - Focus on customer loans and corporate loans
- Further development of ICA Insurance offerings

Apotek Hjärtat (pharmacy)

- Double the assortment of traded goods online
- Click & Collect roll-out in 120 stores during 2018
- Pilot for Click & Express
- Continued focus to grow Minutkliniken
- 6 new pharmacies in 2018

Hemtex

- Implementation of new strategy continues
- Further roll-out of new store concept, in total 16 this year
- Co-operation with Kesko: Hemtex24h

In brief

Strong sales and online growth

Lower margin in Sweden but long-term targets remain

Strong cash flow



Thanks

2018-04-27



Disclaimer

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