



Year-end report 2019

Press and analyst presentation

6 February 2020

Per Strömberg, CEO
Sven Lindskog, CFO

In brief

Good conclusion to a strong year

Continued strong online sales growth

Launch of new loyalty program in Sweden



Solid development

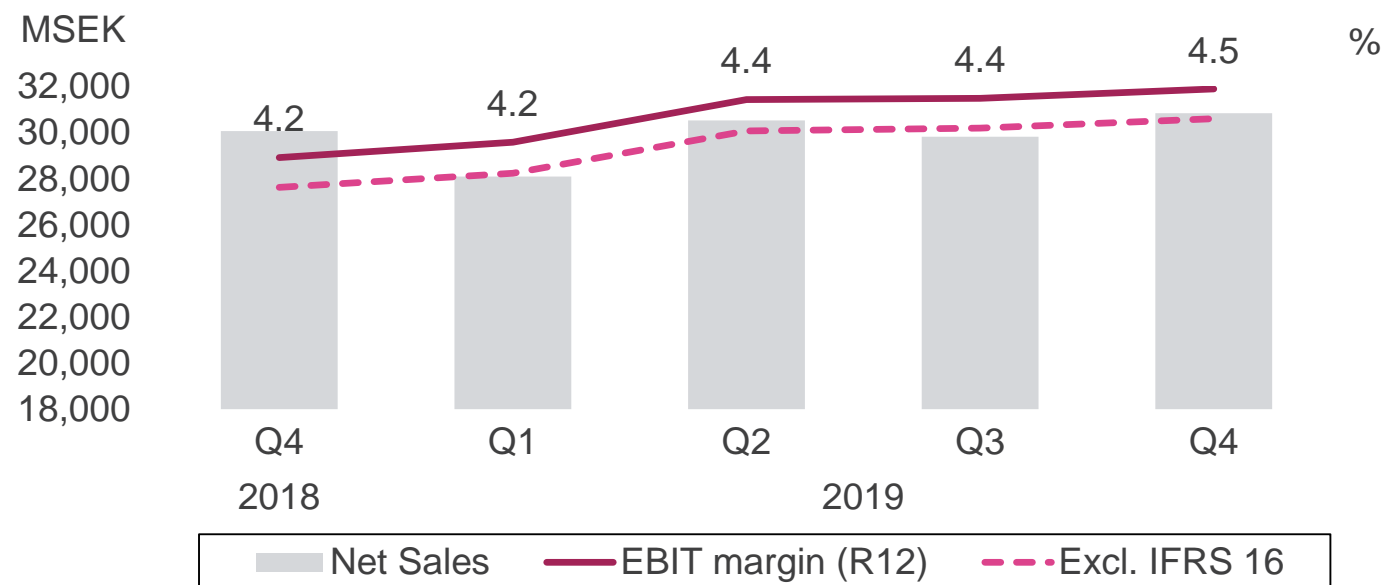
- Net sales growth adjusted for Hemtex divestment, +3.8%
- Net sales up in local currency, +2.2%
- Solid EBIT and margin development

Events

- Ramp-up of Apotek Hjärtat warehouse in Norrköping back on track, improved efficiency
- Rimi Baltic e-commerce launch
- Launch of new loyalty program in Sweden
- Lena Boberg, CEO of ICA Real Estate, leaves by the summer
- The board proposes dividend of 12.00 SEK/share

MSEK	Q4 2019	Q4 2018	Change %
Net sales	30,850	30,069	2.6
EBIT	1,267	1,180	7.3
EBIT Margin	4.1%	3.9%	0.2 pp

Net sales and EBIT margin R12



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

As of January 1, 2019, ICA Gruppen reports in accordance with IFRS 16. 2018 numbers have been recalculated.

Store sales growth in line with market, positive volume growth

Store sales and market in Q4

ICA store sales growth of +3.7%,
comparable stores +3.5%

- Higher average buy

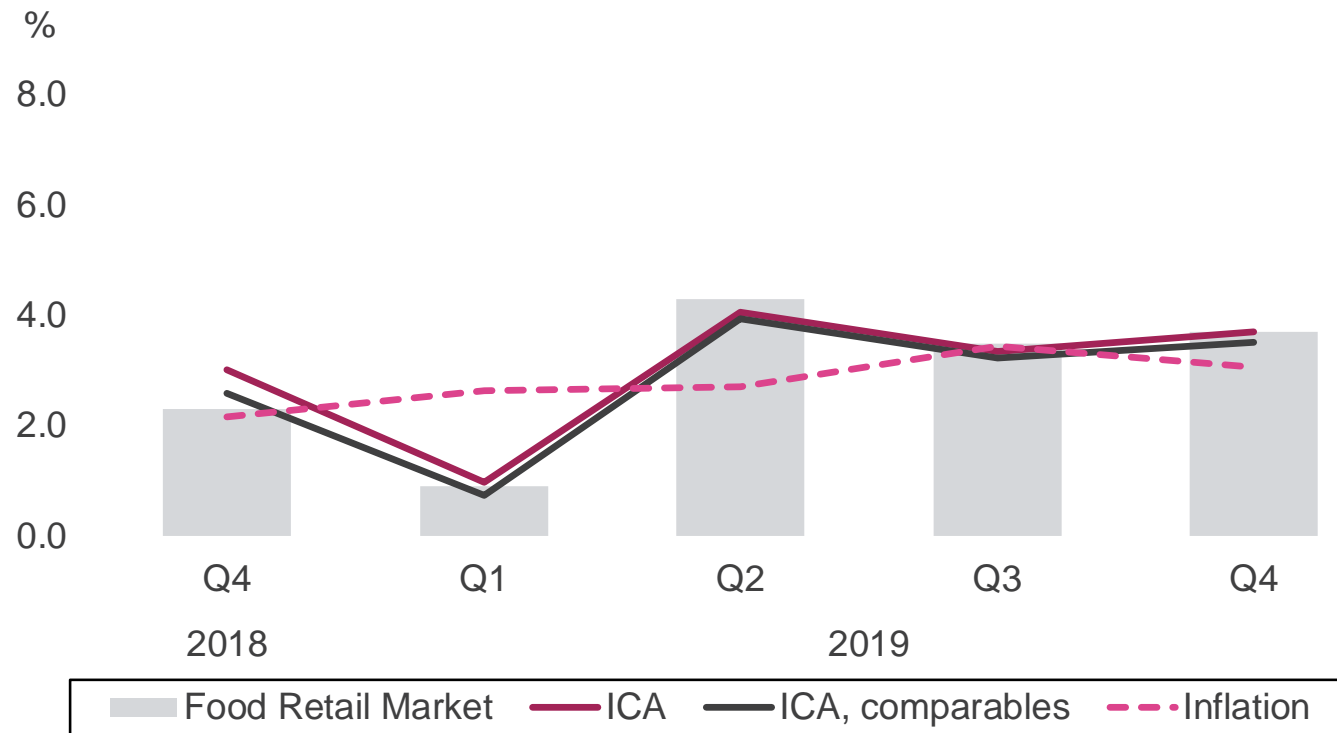
Price and calendar effect +3.1% (price
effect +3.1%, calendar effect +0%).

Market growth according to DVI +3.7%

ICA Online sales growth +25%
(food online +30%, menu baskets -3%).
Market growth (DVI) +17%

Establishments Q4: 5 new stores

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



DVI=Dagligvarubutiksindex/Food Retail Index which includes grocery sales in stores and online

Sales growth below market

Store sales and market in Q4

Rimi store sales +2.6%, comparable sales +0.9%

- Comparable store sales:
 - Estonia +0.7%
 - Latvia +0.1%
 - Lithuania +2.8%
- Rebranding est. impact on growth -1.1%

Market growth +4.3%

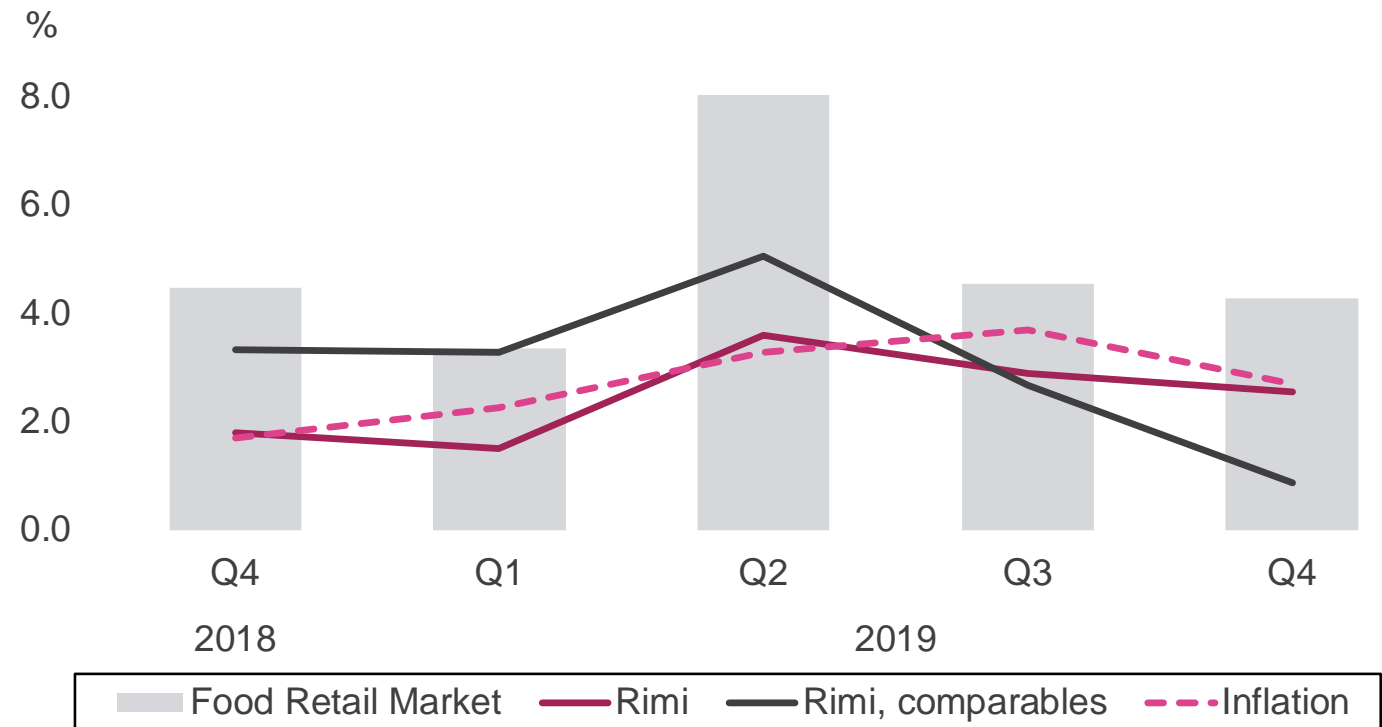
- Estonia +5.1%
- Latvia +4.1%
- Lithuania +4.0%

Food inflation +2.7%

- Estonia +1.1%
- Latvia +2.9%
- Lithuania +3.4%

Establishments Q4: 7 new stores

Sales development for Rimi Baltic stores



Sales above market growth – driven by prescription sales

Store sales and market in Q4

Apotek Hjärtat store sales growth +3.0%
(excl. Minutkliniken +3.1%)

- Prescription +3.3%
- OTC +0.3%
- Traded goods +3.2%
(excl. Minutkliniken +3.7%)

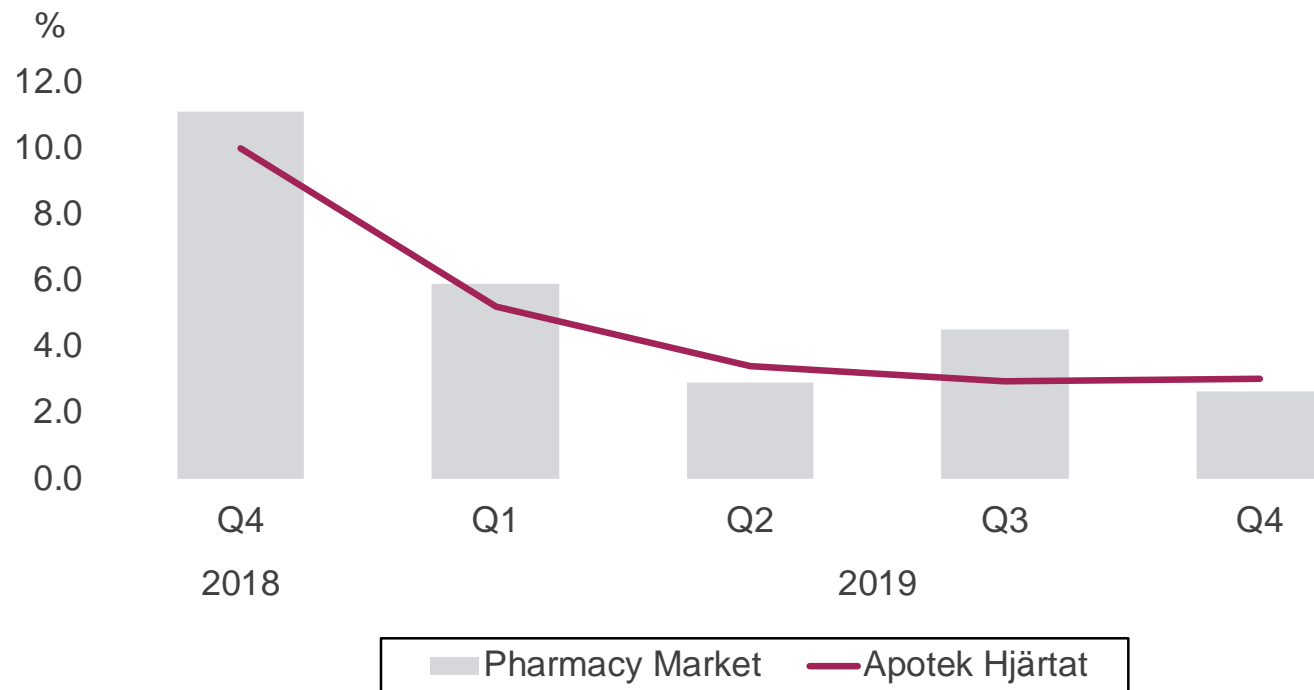
Market growth of +2.7%

- Prescription +1.7%
- OTC +2.2%
- Traded goods +7.1%

Online sales growth Apotek Hjärtat +37%,
market +32%

Establishments in Q4: 2 new pharmacies

Sales development for Apotek Hjärtat pharmacies



Highlights

Our strategic picture – where we want to be



Our new loyalty program interacts in a more personal and relevant way with the customer...

From transaction based to more customer based, with a personal and simple tone – “like a store owner”

Will drive a more loyal behaviour over time

More relevant, valuable and personal for the customer

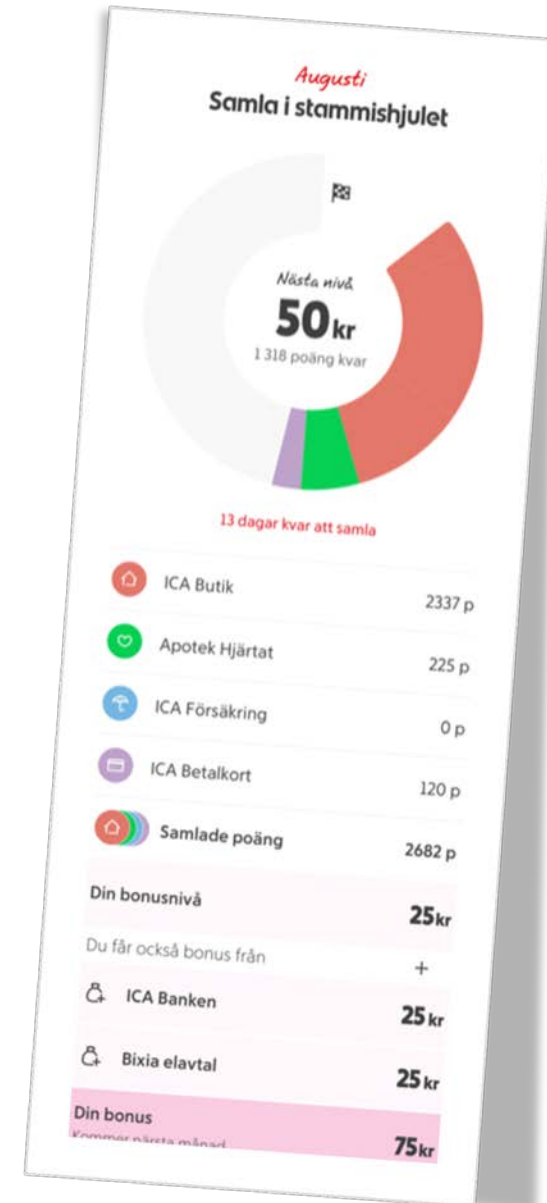
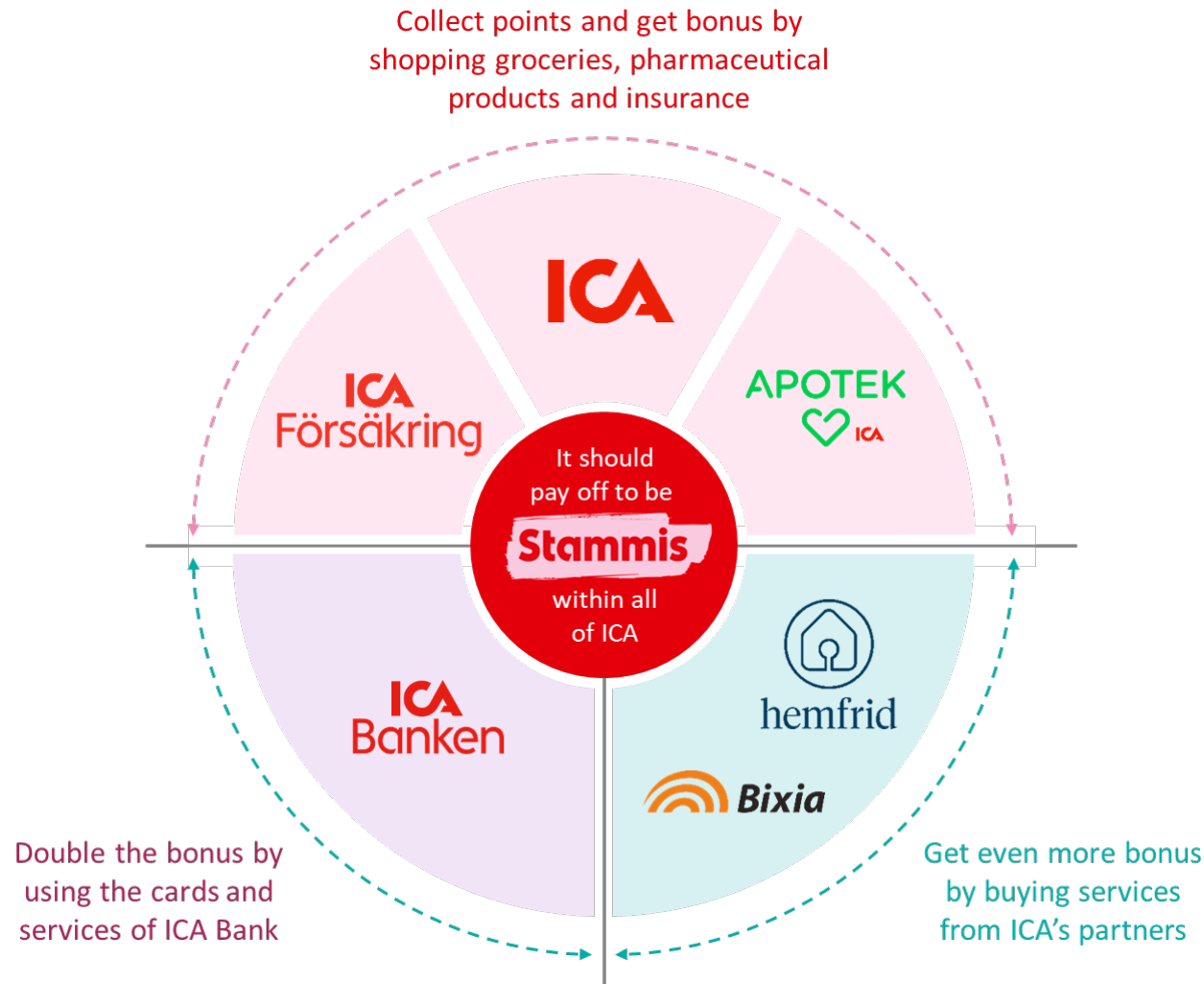
Identification of the customer with any payment card

Some adjustments made to bonus levels due to customer feed-back



Stammis
på ICA

... and will further enable us to strengthen and utilize ICA Gruppen's ecosystem



New target to be set in 2020

– climate beyond neutrality



Decrease
in emissions
compared with 2006

-67%

Socially
audited suppliers of
corporate brands in
high-risk countries

95%

Vs. goal of 100%

Quality certified
suppliers of
corporate brands

87%

Vs. goal of 90%

- **We will be climate neutral 2020**
 - New target to be set during 2020 – climate beyond neutrality, an increased ambition from today's goal
- **New plastic packaging for fresh private label meat**
 - Reduces the use of plastics by 60 tonnes annually
 - 250 tonnes plastics annually will be replaced by recycled plastics



Financials

Robust EBIT development

Net sales +2.6%

- Adjusted for Hemtex, +3.8%
- Growth in local currency +2.2% – largely price, but also volume growth in ICA Sweden, Apotek Hjärtat and ICA Bank

EBIT improving across most segments

- Gross margins stronger
- Investments in e-commerce and digitalisation continues

Cash flow lower – mainly calendar effects

EPS slightly up

MSEK	Q4 2019	Q4 2018	Change %
Net Sales	30,850	30,069	2.6
EBIT	1,267	1,180	7.3
EBIT margin %	4.1%	3.9%	0.2 pp
Cash flow ¹	2,925	3,648	-19.8
Earnings per share (SEK)	4.52	4.42	2.3

¹ Cash flow from operating activities excl. ICA Bank



EBIT variance analysis Q4 (estimate)

	MSEK
EBIT Q4 2018	1,180
Sales Volume	5
Margin	256
Store costs	-72
Other costs	-113
Revised useful lives of fixed assets	17
Acquisition/Divestment related effects	-68
Structural costs and one-off items	60
EBIT Q4 2019	1,267



Growing sales and stable margins

Net sales growth +3.1%

- Price, increased wholesale volume
- Online growth

Underlying EBIT slightly above last year

- + Price and wholesale volume growth
- + Gross margin in aggregate stable
- + One-offs MSEK 60, (LY MSEK 110, current year MSEK 50), organisational and closure of stores this quarter
- Business development costs – digitalisation and e-commerce

MSEK	Q4 2019	Q4 2018	Change %
Net sales	22,020	21,348	3.1
EBIT	827	750	10.3
EBIT Margin	3.8%	3.5%	0.2 pp



- + Price/mix effects
- + Improved PL margin and campaign efficiency
- + Logistic costs, improved efficiency
- Salary inflation in logistics and stores
- Store costs and marketing

A collection of various food products from the 'BASIC' brand, including bottled water, cooking oil, vinegar, pickles, and bags of rice, flour, and instant noodles, all displayed on a white background.

Recovering after automation issues in Q3

Sales growth +4.7%

- Positive effect from price, online growth and new pharmacies

EBIT and EBIT margin lower

- + Price/mix
- Costs related to automation disturbances in Norrköping, MSEK 10
- Investments in e-commerce, business development and IT
- Min Doktor EBIT effect MSEK -15 vs LY

MSEK	Q4 2019	Q4 2018	Change %
Net sales	3,813	3,641	4.7
EBIT	117	128	-8.6
EBIT Margin	3.1%	3.5%	-0.4 pp



Stable progress

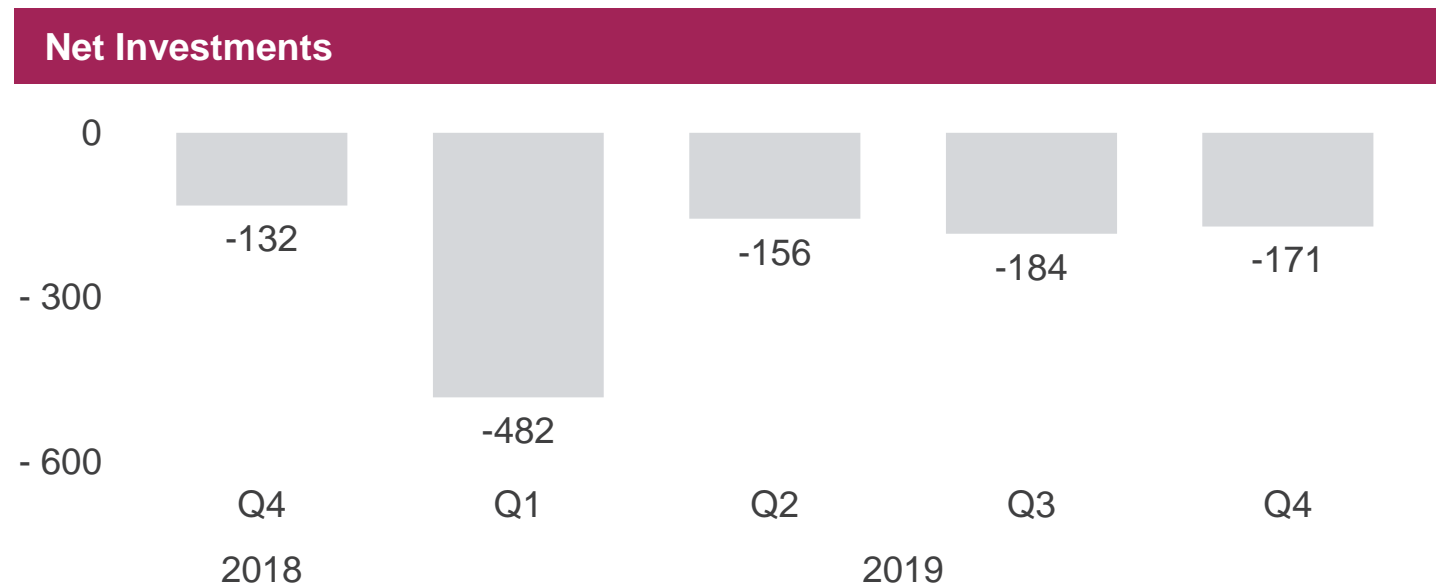
Net sales higher

- Increased net sales from acquisitions and other investments made during the year

Improved EBIT

- + Increased income from new investments
- + Revised estimates of the useful life of fixed assets. "One-off" effect Q4 MSEK 17 (FY effect approx. MSEK 60)
- Operating costs somewhat higher

MSEK	Q4 2019	Q4 2018	Change %
Net sales	688	658	4.5
<i>whereof owned properties</i>	277	263	5.0
Net Yield	6.8%	6.8%	0.0 pp
EBIT	126	115	9.6
EBIT Margin	18.3%	17.4%	0.8 pp



Steady growth and solid EBIT progress

Continued good growth in net income

- Customer loans and mortgages
- Continued growth in ICA Insurance, >178,000 customers

Strong EBIT improvement

- + Volume growth, loans and insurances
- + Net interest – higher repo rate
- + Lower costs
- + Improving claims ratio
- Slightly higher credit losses

MSEK	Q4 2019	Q4 2018	Change %
Net income	410	358	14.5
EBIT	74	42	75.7
Business Volume	50,515	46,618	8.4



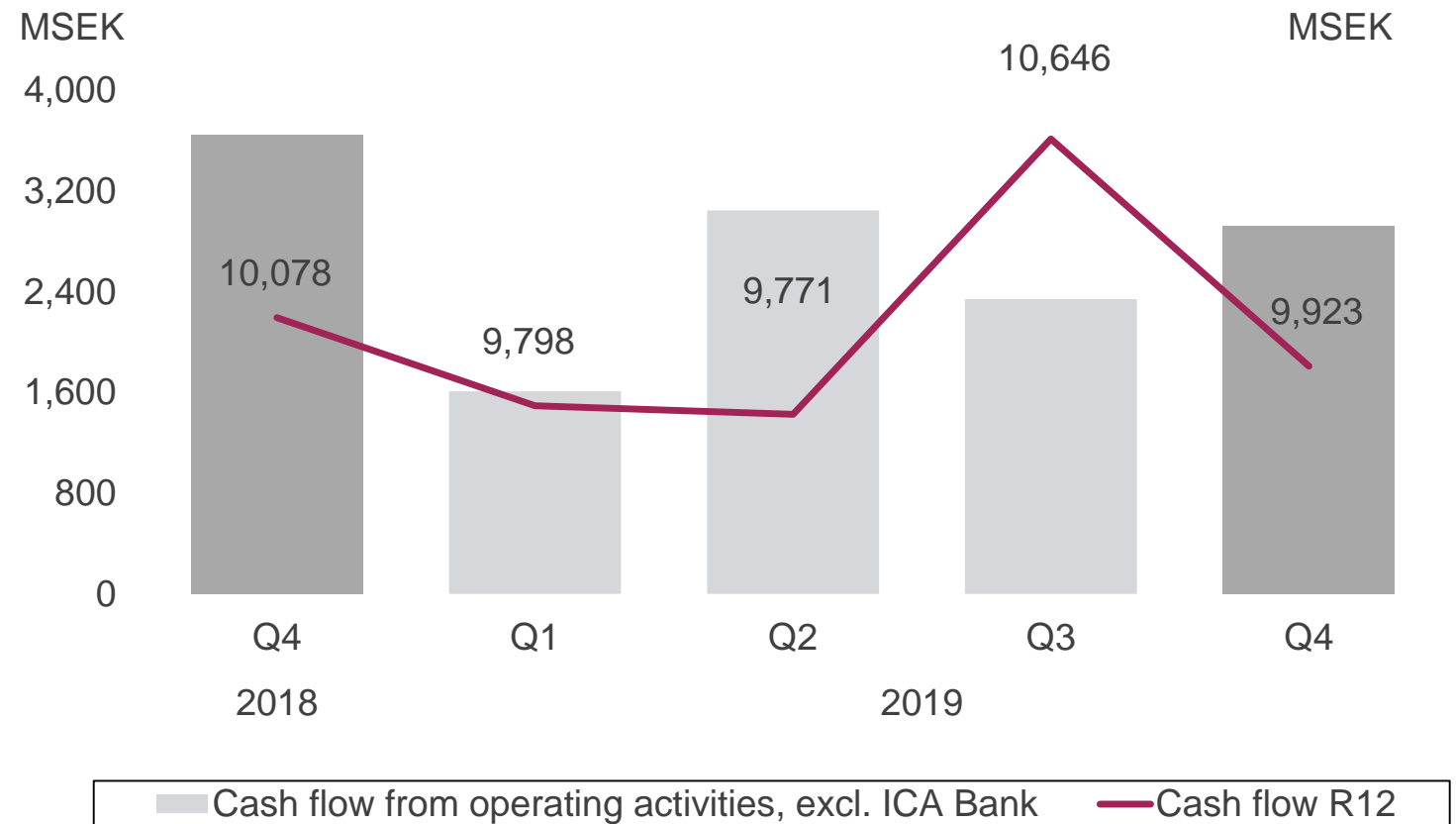
Calendar impact reduces Q4 cash-flow

Operating cash-flow lower than LY:

- Negative calendar effects in WC development, following a very strong Q3
- EBIT up
- Paid tax lower



Cash flow (excl. ICA Bank)

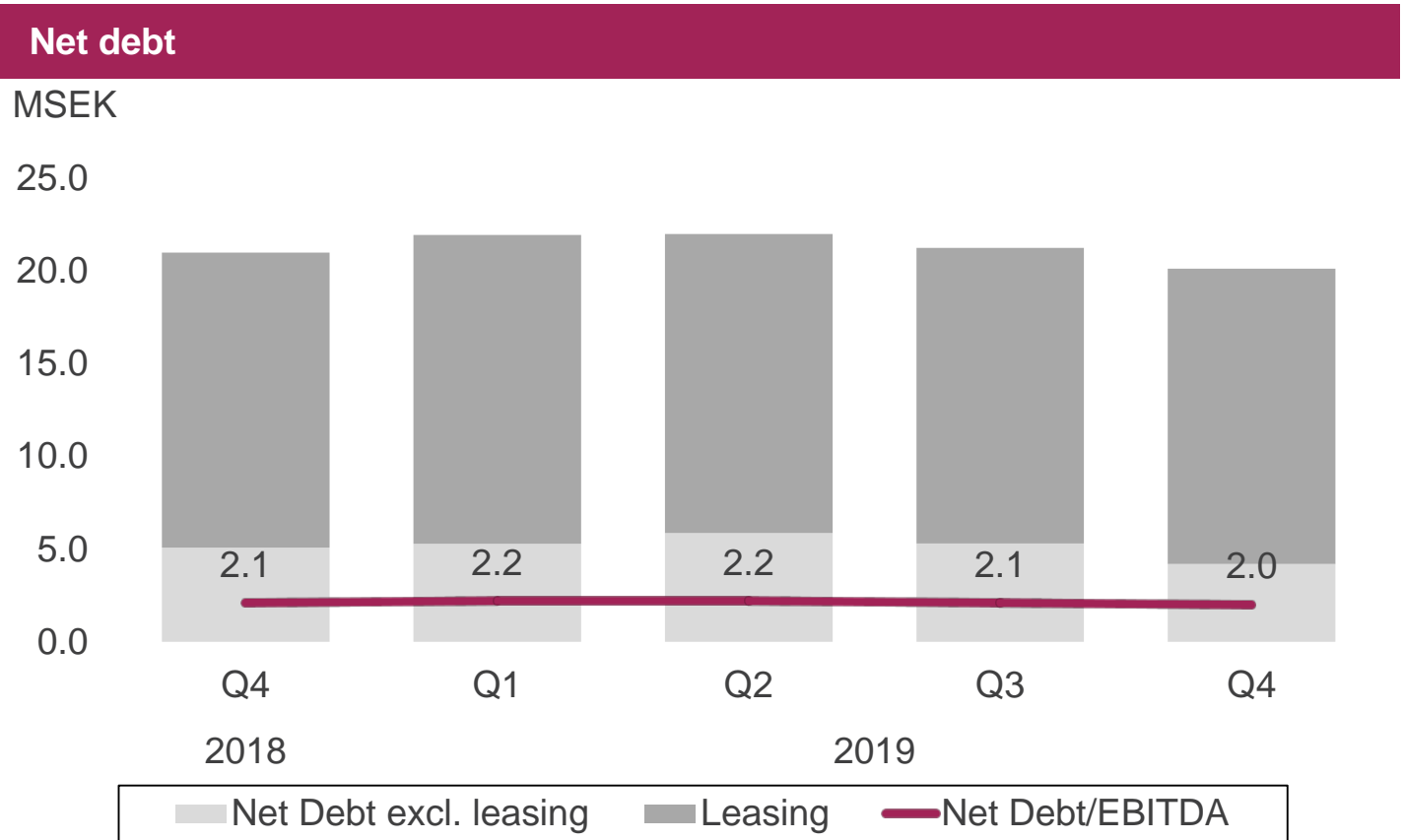


Net debt down

Net debt improving with underlying cash-flow

Net debt ratio 2.0x, with high impact from IFRS16 accounting

IFRS16 adds SEK 15.9 billion to net debt as per Q4 2019



Long term financial targets

Targets	R12 (31 Dec 2019), %	Long-term targets, %
Grow faster than market ¹	Sweden ● Baltics ● Pharmacy ●	All markets
EBIT margin excl. non-recurring items	4.5	4.5
ROCE ²	7.9	7.5
Net debt/EBITDA ³	2.0x	<3.0x
Dividend ⁴ (% profit of the year 2019)	70	At least 50

The changeover to IFRS 16 impacts EBIT margin, ROCE, Net debt/EBITDA and dividend ratio

¹ Swedish and Baltic growth based on latest definitive market data Q4, 2019

² Excluding ICA Bank

³ Interest-bearing liabilities excluding pensions and ICA Bank minus cash and cash equivalents in relation to EBITDA, operating income before depreciation and impairment

⁴ Dividend proposed by the board to be decided by the AGM 21 April 2020

Outlook and Summary

Outlook



ICA Sweden

- Leveraging new organisation
- Continued investments in digitalisation and business development
- Continued ramp-up of e-commerce warehouse and establishing new e-commerce warehouses
- 8-10 store openings in 2020 with focus on large cities

ICA Real Estate

- Increase our presence in metropolitan areas through land and property banking

Rimi Baltic

- Extract further cost efficiencies within distribution and store operation
- Progress on digital initiatives (online shopping, self-service check-out, self scanning, etc)
- Extend assortment of convenience and meal solutions in Rimi Express
- Investing in preparations for Lidl entry
- 16-18 store openings in 2020

ICA Bank

- Set-up of new mortgage joint venture
 - Short term negative impact on mortgage commissions during transition phase
- Increased repo rate positive for 2020
- ICA Insurance growth focus continues

Apotek Hjärtat

- Gradual recovery
- Continued focus on realising efficiency in automated warehouse in Norrköping
- Further investments in digital initiatives, online and last mile
- 6-8 new pharmacies in 2020

ICA Gruppen

- Group costs guidance MSEK 450 FY

In brief

Good conclusion to a strong year

Continued strong online sales growth

Launch of new loyalty program in Sweden



Thanks!

2020-02-06

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 6 2020 at 7.00 CET.

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