



Q2 report 2020

Press and analyst presentation

19 August 2020

Per Strömberg, CEO
Sven Lindskog, CFO

In brief

Sales and EBIT better, covid-19 impact negative

Accelerated online sales growth

ICA Gruppen to reach climate neutrality 2020



Strong quarter, but mixed impact from covid-19

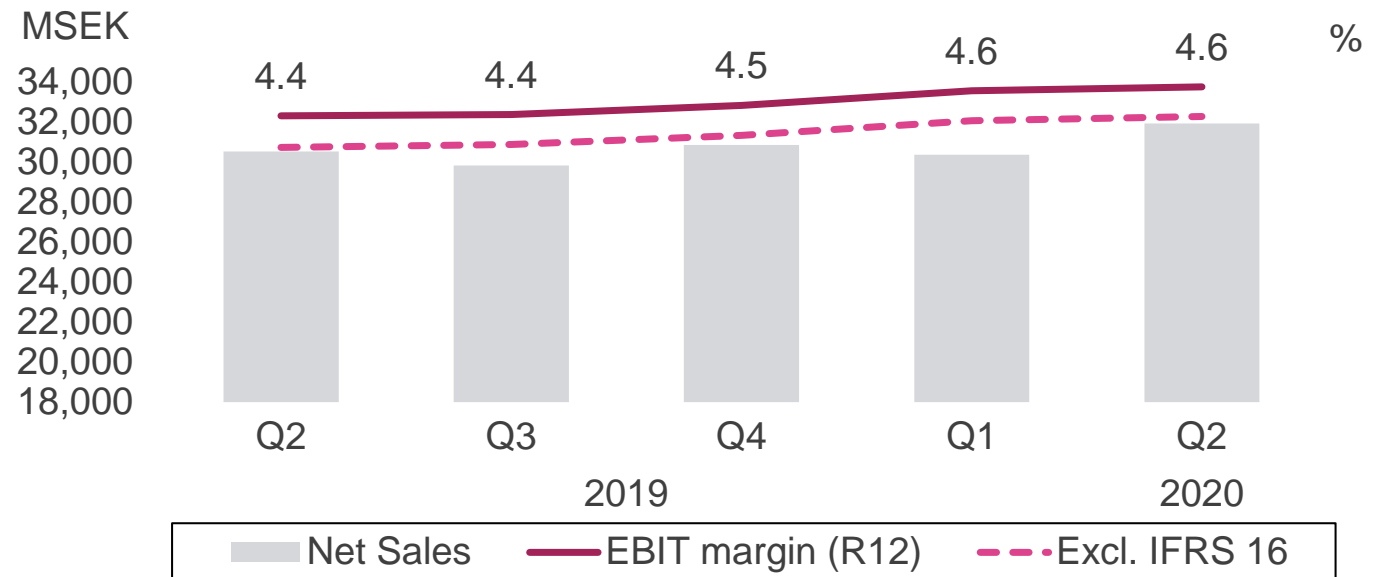
- Net sales growth local currency +4.8%, (excluding Hemtex)
- Covid-19 impact on sales +0.3%
- EBIT growth +5.1% (excluding Hemtex)
- Covid-19 impact on EBIT MSEK -60

Events Q2

- ICA Real Estate's acquisition of the logistics property in Västerås of net SEK 1 billion concluded
- Anna Nyberg started as new CEO of ICA Real Estate on August 17
- Extraordinary General Meeting September 22 to decide on the Board's proposal of a second dividend of SEK 6/share

MSEK	Q2 2020	Q2 2019	Change %
Net sales	31,924	30,529	4.6
EBIT	1,452	1,365	6.4
EBIT Margin	4.5%	4.5%	0.1 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.

ICA sales growth subdued due to store network structure

Store sales and market in Q2

ICA store sales growth of +7.5%,
comparable stores +7.3%

- Increased average buy, less store visits
- Strong online growth

Price and calendar effect +3.5% (price
effect +3.5%, calendar effect +0.0%)

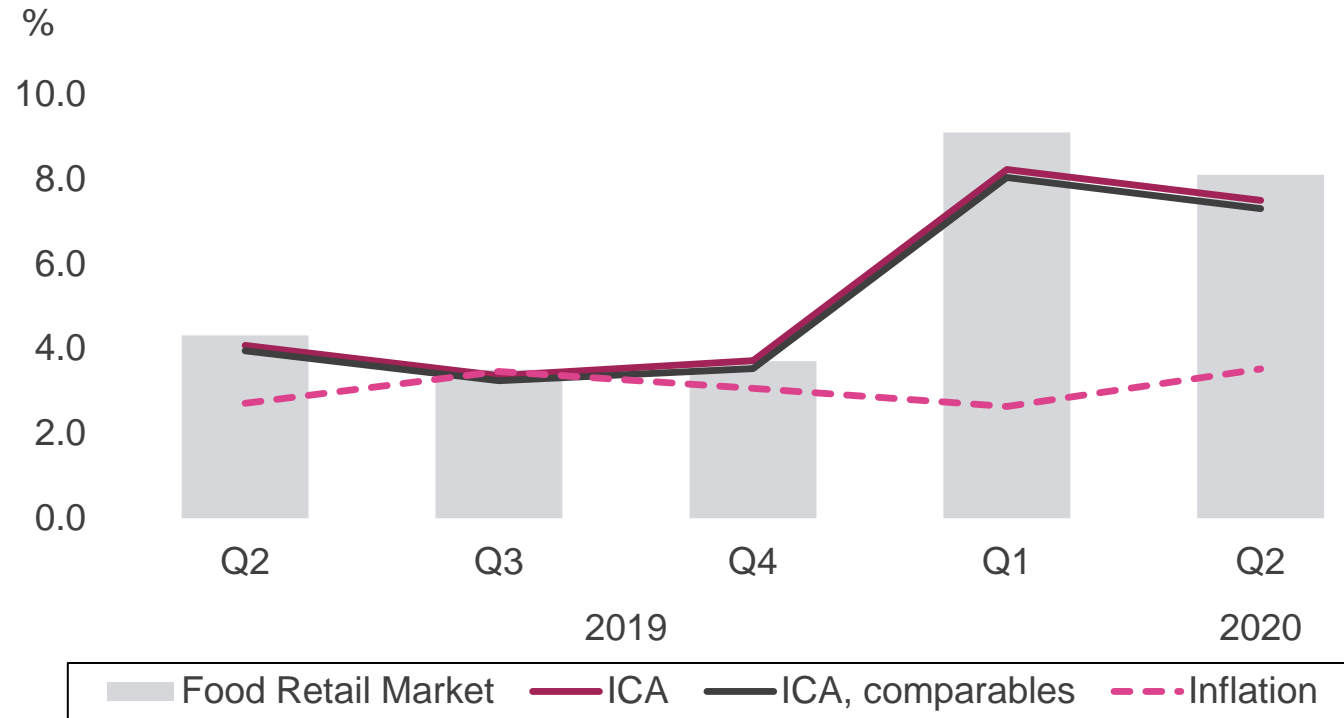
Market growth according to DVI* +8.1%

ICA Online sales growth +148%
(food +168%, menu baskets +13%)

Market growth* +114%

Establishments Q2: 3 new stores

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



Sales held back by covid-19 effects across all countries

Store sales and market in Q2

Rimi store sales -0.8%, comparable sales -3.6%

Comparable store sales

- Estonia -10.1%
- Latvia -2.1%
- Lithuania +0.2%

Market growth +2.0%

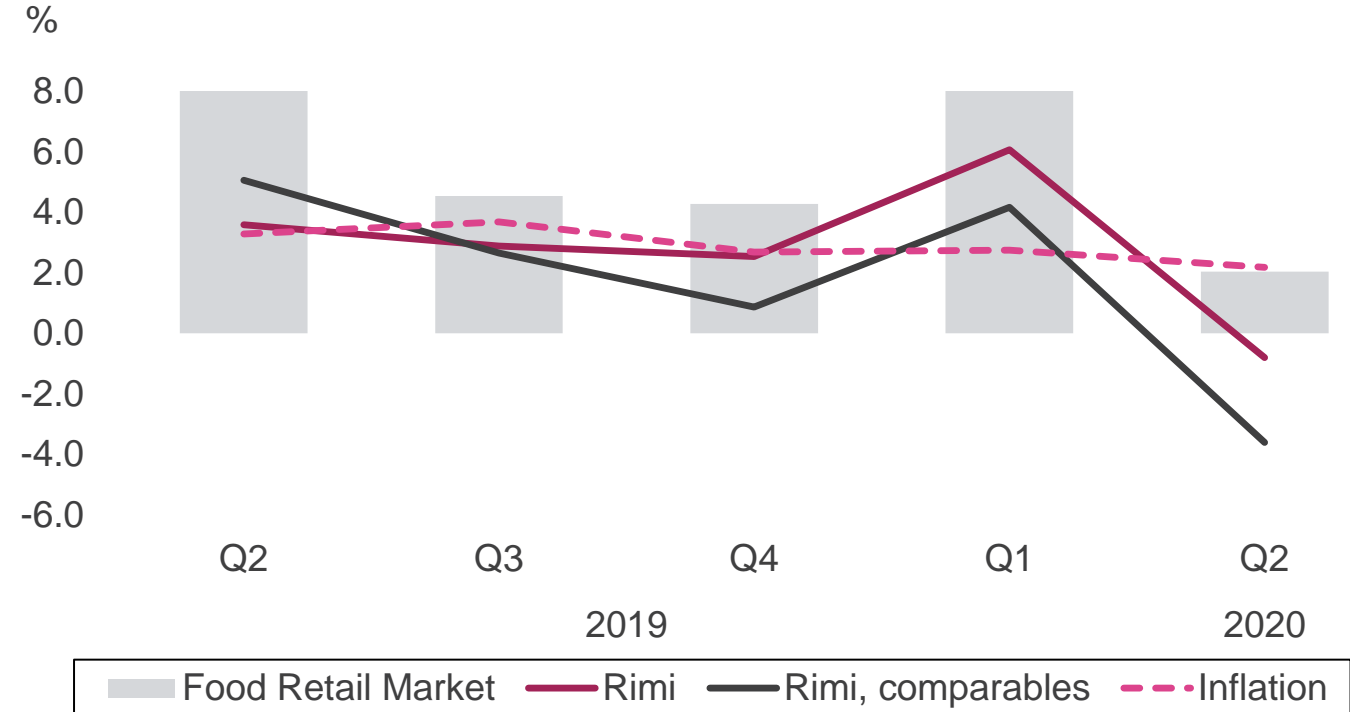
- Estonia +3.3%
- Latvia +5.3%
- Lithuania -0.6%

Food inflation +2.2%

- Estonia +0.9%
- Latvia +2.0%
- Lithuania +3.0%

Establishments Q2: 4 new stores

Sales development for Rimi Baltic stores



Sales drop due to significant hoarding reversal

Store sales and market in Q2

Apotek Hjärtat store sales growth -3.1%

- Prescription -3.5%
- OTC -12.8%
- Traded goods +5.1%

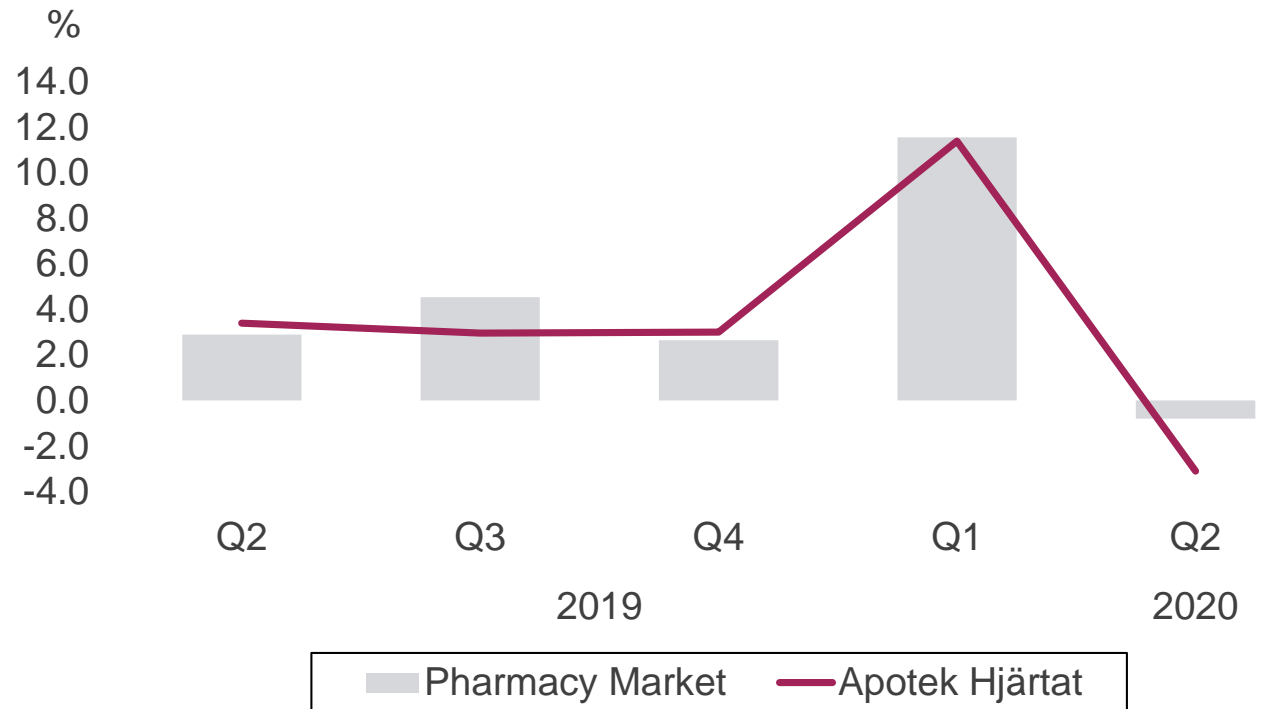
Market growth of -0.8%

- Prescription -2.3%
- OTC -9.4%
- Traded goods +10.9%

Online sales growth Apotek Hjärtat +104%, market growth +69%

Establishments in Q2: 1 new pharmacy

Sales development for Apotek Hjärtat pharmacies



Highlights

ICA Gruppen to reach climate neutrality 2020



Decrease
in emissions
compared with 2006

-71%

Rolling 12 months
(Q3 2019- Q2 2020)

- Decrease in emissions compared with 2006*: -71%
- ICA Gruppen will be climate neutral 2020
- Creates a good foundation going into 2021 with our new climate goal *Climate beyond neutrality*



ICA's new initiative for a sustainable food system

INITIATIVE "ICA VÄXA"

- ICA starts the *Växa* ("Grow") initiative to contribute to a sustainable food system and promoting consumption and production of plant-based foods
- This will entail a greater offering of vegetarian alternatives using ingredients grown in Sweden
- The *Växa* initiative also entails that ICA will take part in R&D collaborations to innovate sustainable, Swedish-produced food ingredients
- ICA will also facilitate cooperation between local ICA retailers and local vendors & entrepreneurs, and further develop the order portal

THE GOAL IS TO:

INCREASE THE
NUMBER OF
SUSTAINABLE
PLANT-BASED
PRODUCTS

INCREASE SHARE OF
SWEDISH
PLANT-BASED
PRODUCTS

50%

LOWER CARBON
FOOTPRINT OF
CUSTOMERS' GROCERY
PURCHASES

2030

Accelerated online growth...

ICA in Sweden

- Market leader with significant growth, +148% vs market +114%
- Online share of sales in active stores Q2 ~6.4% (~3%)
- 339 ICA stores selling food online covering almost 80% of the population with local offerings
- Home delivery and Click & Collect of food online and menu baskets
 - 65% of total orders for food online are Click and Collect. In metropolitan areas ~35%
- Express delivery through ICA Pronto
- More than 30% of online orders were made by the age group 65+, compared to around 5% in Q2 LY
- High customers satisfaction. Almost 90% of the customers would recommend ICA Online

Apotek Hjärtat

- Growth Q2 +104% vs market +69%
- Online share of sales YTD Q2 ~7%



...and creating a good foundation for future growth



- Ocado platform to be implemented 2021. New customer fulfillment center in Stockholm to be finalized 2022
- E-commerce warehouse in Gothenburg to be opened spring 2021
- Rapid expansion of ICA Pronto, 100 stores now connected



- E-commerce launched in all three Baltic countries
- Home delivery in metropolitan areas
- Pick-up points currently at >20 locations



- Click & Collect now in 338 pharmacies
- Click & Express pilot launched in Stockholm
- Co-delivery together with ICA in autumn 2020

Financials

Strong results despite negative covid-19 impact

Net sales +4.6%

- +4.8% excl. Hemtex and local currency
- Negative volume impact in aggregate, due to Rimi Baltic and Apotek Hjärtat
- Positive price/mix effects in most segments

EBIT improving

- Largely due to sales volumes in ICA Sweden
- Cost savings mitigating negative covid-19 effects
- Investments in e-commerce and digitalisation continue

Q2 Cash flow slightly lower – working capital movement

EPS better, but large Hemtex divestment effect last year

MSEK	Q2 2020	Q2 2019	Change %
Net Sales	31,924	30,529	4.6
EBIT	1,452	1,365	6.4
EBIT margin %	4.5%	4.5%	0.1 pp
Cash flow ¹	2,911	3,047	-4.5
Earnings per share (SEK)	4.83	2.56	88.7

¹ Cash flow from operating activities excl. ICA Bank



EBIT variance analysis Q2 (estimate)

	MSEK
EBIT Q2 2019	1,365
Sales Volume	-38
Margin	98
Store costs	57
Other costs	-48
Acquisition/Divestment related effects	16
EBIT Q2 2020	1,452



Extraordinary volume growth driving earnings

Net sales growth +7.4%

- Mainly wholesale volume growth - Covid-19 effect +3.4%
- Strong online growth

Strong EBIT development, approx. +130 MSEK covid-19 effect

- + Sales volume growth
- + Private label sales
- + Logistics efficiency
- + Insurance case one-off, approx. 20 MSEK
- High pressure on online operations
- Investing in business development and new competencies

MSEK	Q2 2020	Q2 2019	Change %
Net sales	23,496	21,880	7.4
EBIT	1,113	949	17.3
EBIT Margin	4.7%	4.3%	0.4 pp



Covid-19 shutdown weighing down Q2 results

Net sales growth -0.5%

- Growth in local currency -0.8%
- Covid-19 effect in Q2 -5.0%

EBIT and EBIT margin decrease, covid-19 effect approx. MSEK -65

- Lower sales volumes
- + Price/mix
- + Shrink and L&D
- Store costs – store network changes and salaries
- Advertising and launch of e-commerce

Measures taken to reduce costs and increase efficiency

MSEK	Q2 2020	Q2 2019	Change %
Net sales	4,051	4,071	-0.5
EBIT	147	175	-16.0
EBIT Margin	3.6%	4.3%	-0.7 pp



Reversed hoarding effect and covid-19 restrictions holding back sales growth

Sales growth -3.7%

- Mainly volume. Covid-19 sales impact -11.2%
- High increase in online sales, +104%

EBIT and EBIT down. Covid-19 effect approx. MSEK -105

- Sales volume
- Logistic costs and shrink
- Marketing, store and e-commerce costs

Substantial actions to reduce cost levels

MSEK	Q2 2020	Q2 2019	Change %
Net sales	3,638	3,778	-3.7
EBIT	66	142	-53.4
EBIT Margin	1.8%	3.8%	-1.9 pp



Strong EBIT progress

Net sales higher

- Sales volume

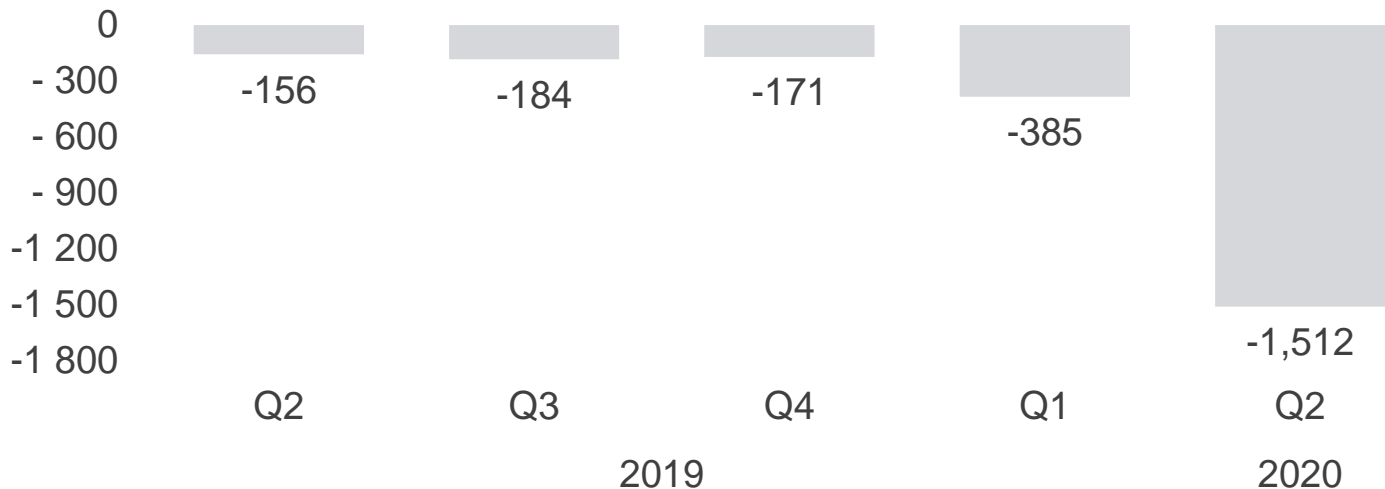
Improved EBIT

- + Increased rent income
- + DC acquisition impact MSEK +9
- + Operating costs lower, mainly seasonal effect and timing
- Covid-19 impact MSEK -6 (tenant bankruptcy)

DC acquisition impact in 2020 EBIT
MSEK +35 (8 months)

MSEK	Q2 2020	Q2 2019	Change %
Net sales	696	686	1.3
<i>whereof owned properties</i>	295	268	10.0
Net Yield	7.0%	6.8%	0.2 pp
EBIT	154	133	15.8
EBIT Margin	22.1%	19.4%	2.8 pp

Net Investments



A mixed picture

Continued good growth in net income

- Increased repo-rate, customer loans
- Continued growth in ICA Insurance
- Lower net commission from bank cards, mortgages and cash handling

Lower EBIT, covid-19 impact MSEK -8

- + Volume growth, loans and insurances
- + Net interest – higher repo rate
- + Operating costs
- Credit losses MSEK -15 vs LY

MSEK	Q2 2020	Q2 2019	Change %
Net income	408	391	4.3
EBIT	50	55	-8.5
Business Volume	47,335	49,224	-3.8



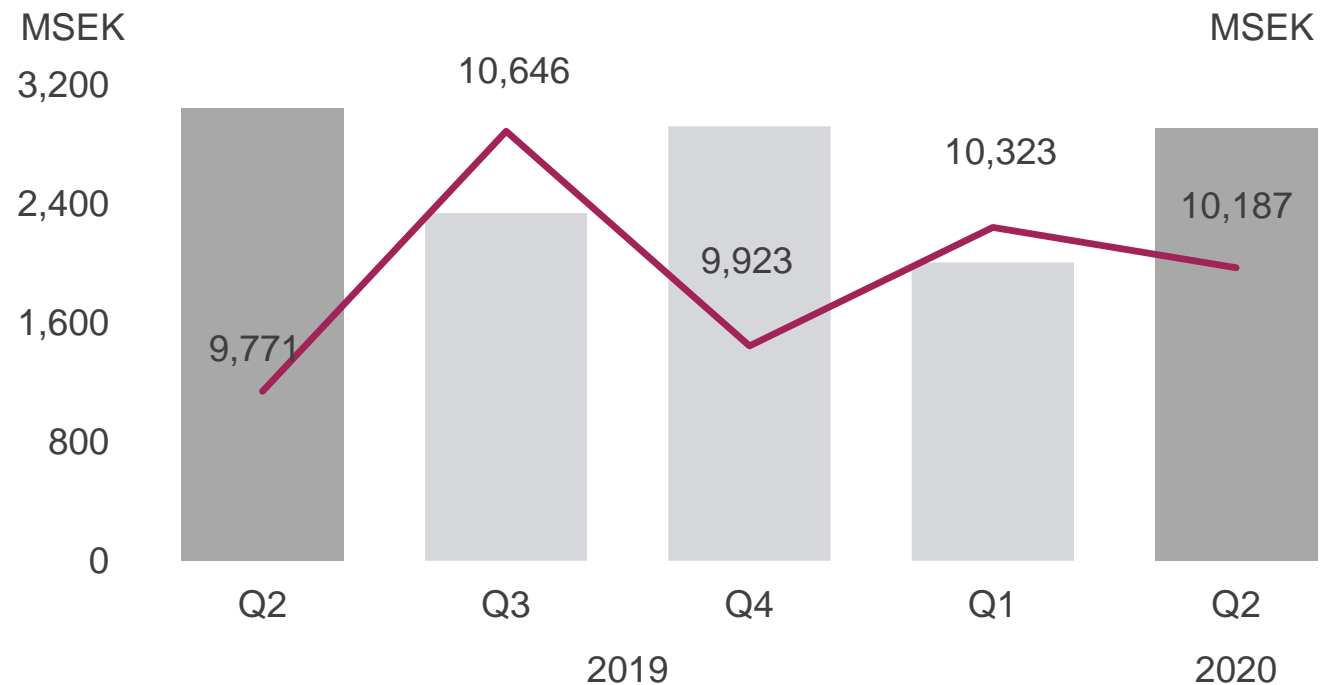
Solid Q2 cash-flow

Operating cash-flow lower than LY:

- Positive volume effects
- Unfavourable quarterly opening working capital positions
- Paid tax higher



Cash flow (excl. ICA Bank)



■ Cash flow from operating activities, excl. ICA Bank — Cash flow R12

Net debt well in line with financial target

Net debt lower vs LY due to less dividend paid in April

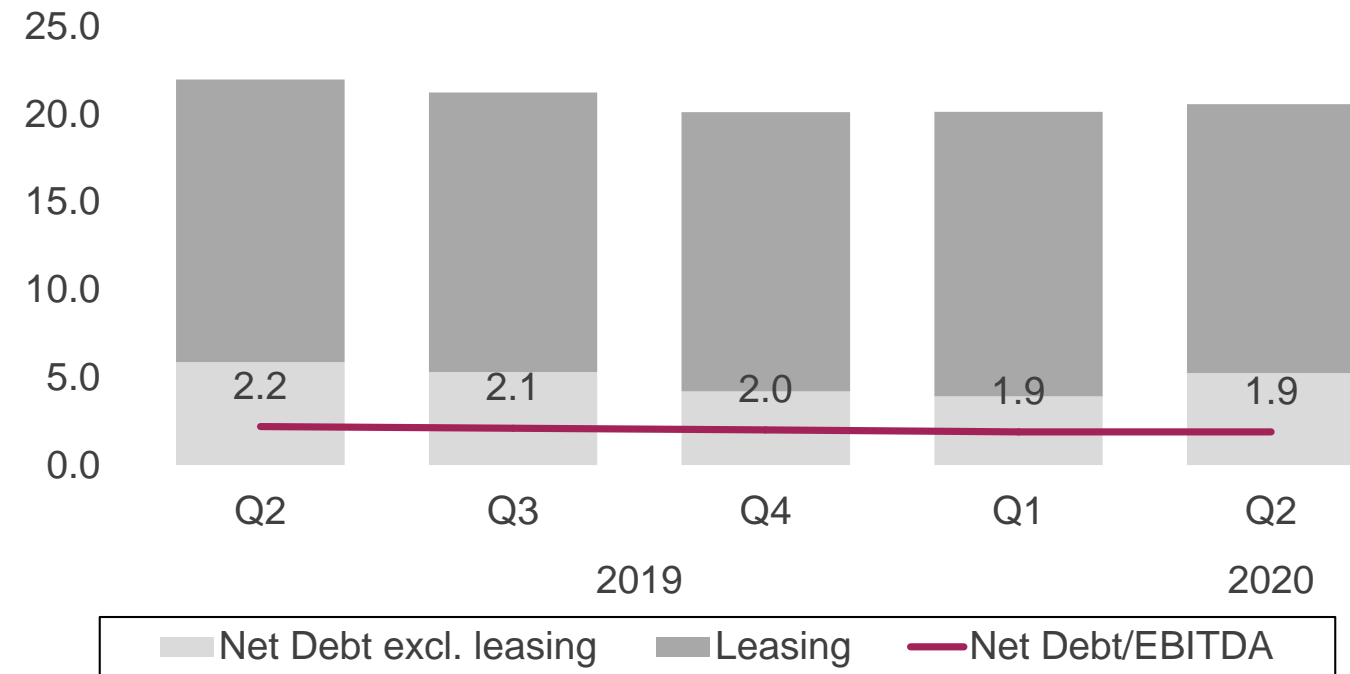
Net debt ratio 1.9x, with high impact from IFRS16 accounting

IFRS16 adds SEK 15.3 billion to net debt as per Q2 2020



Net debt

MSEK



Long term financial targets

Targets	R12 (30 Jun 2020), %	Long-term targets, %
Grow faster than market ¹	Sweden ● Baltics ● Pharmacy ●	All markets
EBIT margin excl. non-recurring items	4.6	4.5
ROCE ²	9.0	7.5
Net debt/EBITDA ³	1.9x	<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 (Sweden and Baltics Q2 2020)

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 Half of the dividend decided by the AGM 21 April, 2020. Extraordinary General Meeting on 22 September to decide on the Board's proposal of a second payment of SEK 6/share



Outlook and Summary

A “new normal” is expected to take shape post covid-19 with particular impact on e-commerce and price value

- A more difficult macro environment will impact household purchasing power and put more focus on price value
- Significant and lasting shift to e-commerce channel
- Other customer behavior and preference changes; change in food habits, eating at home, focus on health, reduced travelling etc.
- Supply chain challenges due to increased insecurity around country restrictions, relationship to local suppliers strengthened and increasingly important in all markets
- Shift in employees' expectations on ways of working and increased flexibility pushes digital development
- High focus from customers on how we act to handle the Covid-19. High expectations on how companies take responsibility

Outlook

ICA Sweden

- Continued covid-19 impact on sales volumes and cost levels
- Meeting higher online demand – Ocado project and new e-commerce warehouse in Gothenburg
- Securing price value
- 8-10 store openings in 2020 with focus on large cities

ICA Real Estate

- Limited covid-19 risk, primarily related to non-grocery tenants
- Increase our presence in metropolitan areas through land and property banking

Rimi Baltic

- Continued covid-19 impact on sales volumes
- Additional focus on cost efficiency
- Increase capacity in e-commerce
- Investing in preparations for Lidl entry
- 16-18 store openings in 2020

ICA Bank

- Bad debts risk remain
- Negative covid-19 impact on bank card business and loan volumes
- Set-up of new mortgage joint venture
- Increased repo rate positive for 2020

Apotek Hjärtat

- Continued covid-19 impact on sales volumes
- Additional focus on cost efficiency
- Priority to handle increased online volumes and improve efficiency
- Min Doktor digital visits will increase, lower number of physical visits to clinics due to covid-19
- 6-8 new pharmacies in 2020

ICA Gruppen

- Group costs guidance MSEK 450 FY
- Group capex guidance 2020 after DC acquisition, from SEK 4bn to SEK 5bn

In brief

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Accelerated online sales growth

ICA Gruppen to reach climate neutrality 2020



Thanks!

2020-08-19

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 August 19, 2020 at 7.00 CET.

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