



Q3 report 2020

Press and analyst presentation

23 October 2020

Per Strömberg, CEO
Sven Lindskog, CFO

In brief

Sales and EBIT better, decreasing covid-19 impact

ICA store sales slightly above market growth

Continued market share growth online



Stable in a turbulent world

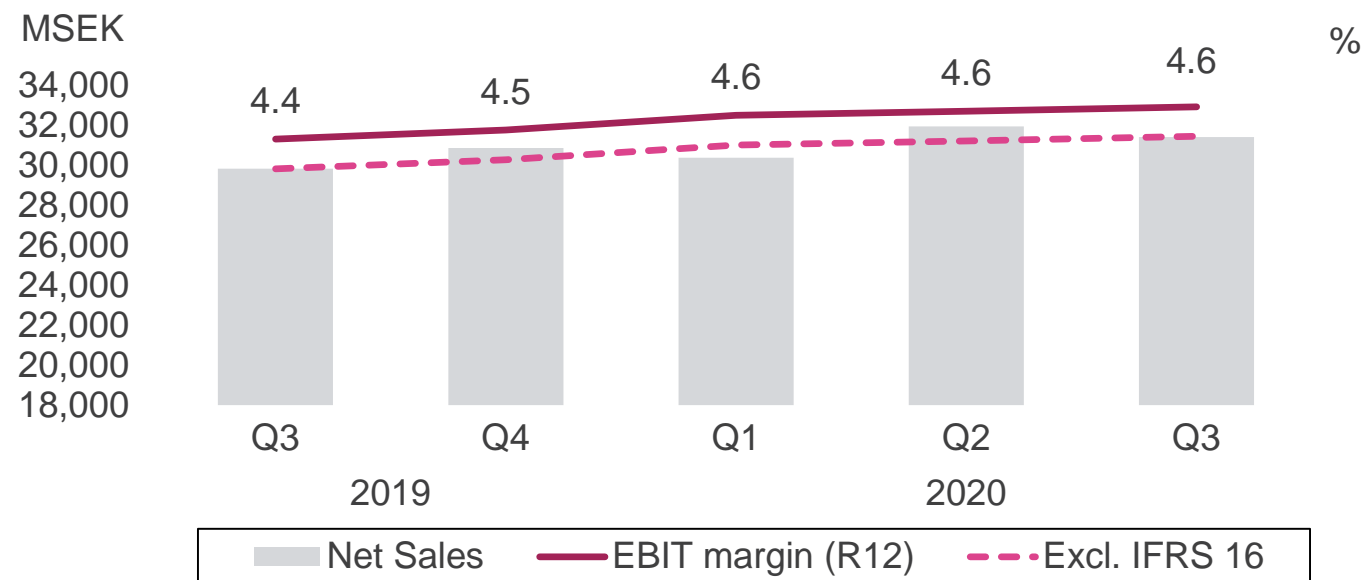
- Net sales growth local currency +5.7%
- Covid-19 impact on sales +2.0%
- EBIT growth +6.2%
- Covid-19 impact on EBIT MSEK -15

Events Q3

- EGM on September 22 decided on a second dividend of SEK 6/share
- Updated market valuation of real estate portfolio shows stable development

MSEK	Q3 2020	Q3 2019	Change %
Net sales	31,400	29,818	5.3
EBIT	1,698	1,599	6.2
EBIT Margin	5.4%	5.4%	0.0 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 store sales growth slightly above market

Store sales and market in Q3

ICA store sales growth of +6.0%,
comparable stores +5.8%

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

Price and calendar effect +1.9% (price
effect +1.9%, calendar effect +0.0%)

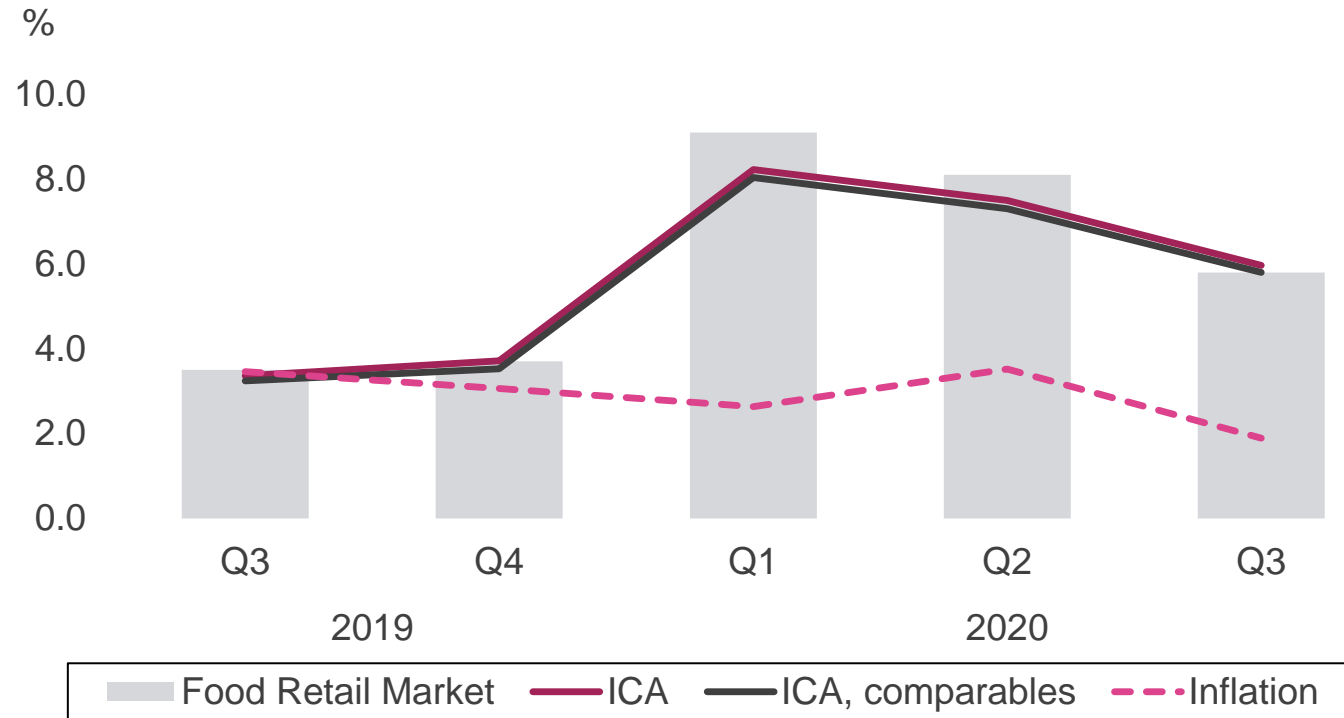
Market growth according to DVI* +5.8%

ICA Online sales growth +124%
(food +135%, menu baskets +13%)

Market growth* +101%

Establishments Q3: no 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 negatively impacted by covid-19 effects

Store sales and market in Q3

Rimi store sales +0.3%, comparable sales -3.1%

Comparable store sales

- Estonia -5.0%
- Latvia -3.5%
- Lithuania +0.1%

Food inflation* +1.7%

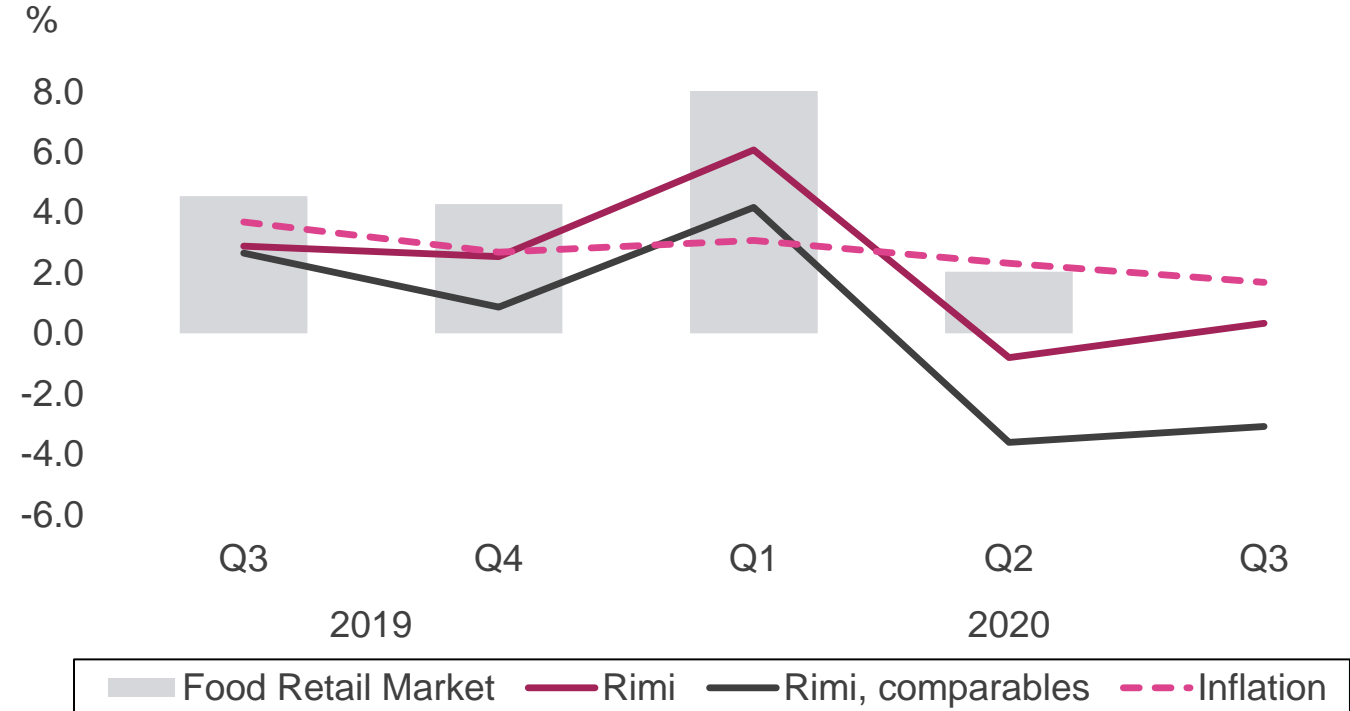
- Estonia +1.3%
- Latvia +1.8%
- Lithuania +1.8%

Strong e-commerce growth in all three countries – 1% share of total sales in Q3

Establishments Q3: 2 new stores

*preliminary numbers

Sales development for Rimi Baltic stores



Total sales growth in line with market, online well above

Store sales and market in Q3

Apotek Hjärtat store sales growth
+3.5%

- Prescription +2.8%
- OTC -7.8%
- Traded goods +14.3%

Market growth of +3.5%

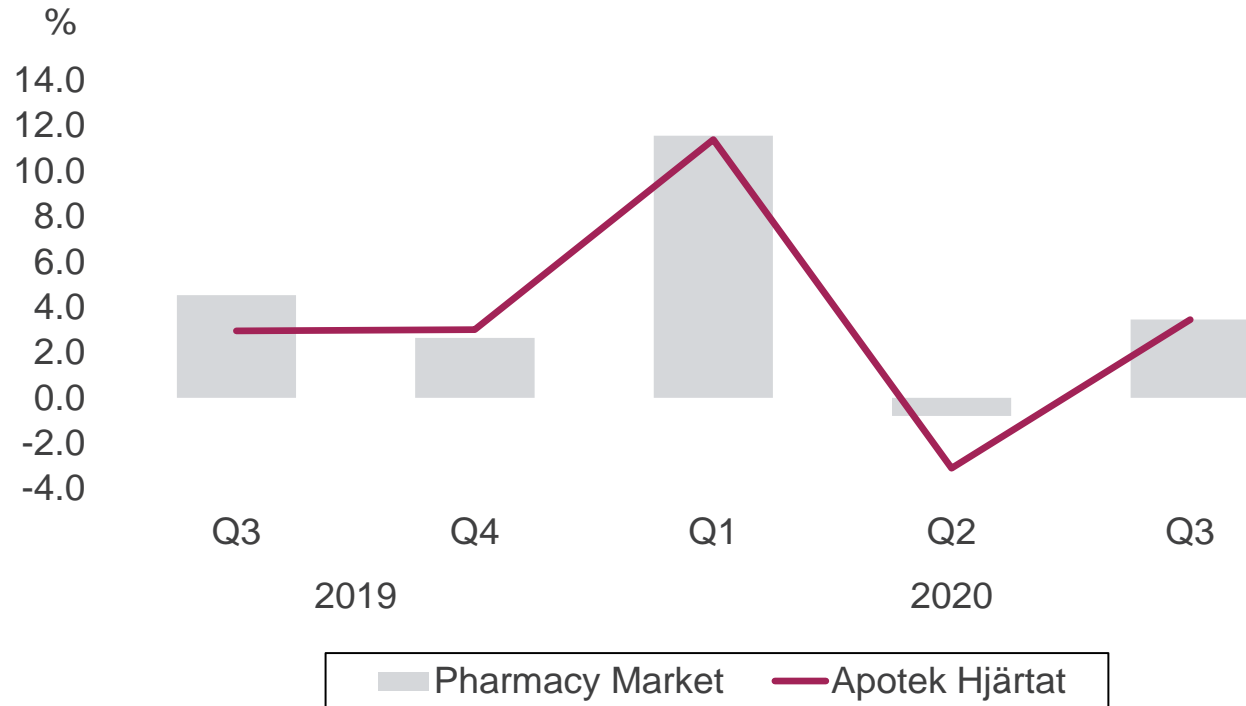
- Prescription +3.3%
- OTC -9.2%
- Traded goods +10.9%

Apotek Hjärtat market leader R12

Online sales growth Apotek Hjärtat
+121%, market growth +53%

Establishments in Q3: 2 new
pharmacies

Sales development for Apotek Hjärtat pharmacies



Highlights

Continued strong growth for ICA stores online...

Online growth Q3,
+124% vs
market **+101%**

Online share of sales
in active stores Q3
>6% (~3%)

349 ICA stores
selling food online
covering almost **85%**
of the population

Share of online orders
age group 65+: >30% (7%)

Our online customers:

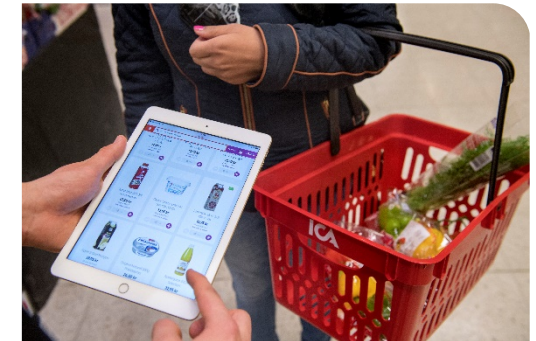
- prefer **organic and healthy products**
- buy more **private label**

Private label share:

online 34%
vs
offline 27%

Average buy:
SEK ~1,000
Average frequency:
2 times/month

65% of total orders for
food online are Click and
Collect. In metropolitan
areas **~35%**

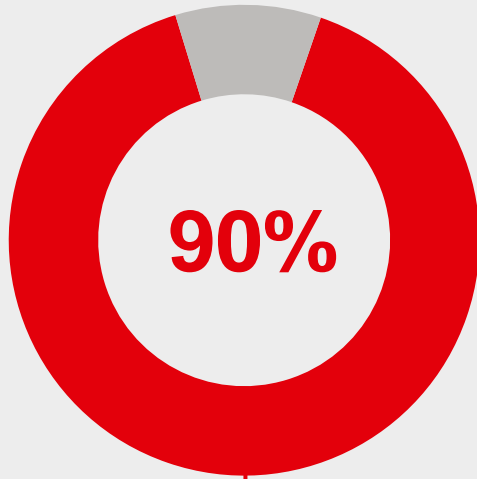


High customer
satisfaction, **>8**
(out of 10)

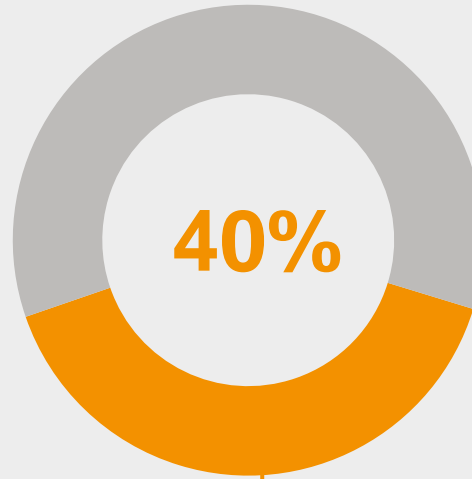
>80% of the
customers would
recommend ICA
online

...and a clear trend towards increased online shopping where new e-commerce customers plan to continue shopping online

Long term online preference among new ICA Online customers



90% of new ICA e-commerce families* (82% among new 65+ customers) believe that they will continue grocery shopping online after the pandemic...



... And **40%** of new ICA online customers (families) believe that they will use e-commerce as their primary grocery channel



Success for our loyalty program Stammis – 5 million active customers

+150,000 new Stammis customers since the launch in February 2020

+1.5 million newly connected external payment cards

+13% more bonus payments to customers from ICA Retailers

+14% identified purchases – more active Stammis customers – an opportunity to increase personalisation and becoming more relevant for the customer



Financials

Robust results, despite in aggregate negative covid-19 impact

Net sales +5.3%

- Growth in local currency +5.7%
- Volume growth in ICA Sweden wholesale, ICA Real Estate and ICA Bank

EBIT improving, covid-19 impact
MSEK -15

- + Volume growth
- + Sustained margins
- One-offs in ICA Real Estate and ICA Bank
- Investments in e-commerce and digitalisation continue

Q3 Cash flow lower – working capital movement

EPS better – increased earnings and improved financial net

MSEK	Q3 2020	Q3 2019	Change %
Net Sales	31,400	29,818	5.3
EBIT	1,698	1,599	6.2
EBIT margin %	5.4%	5.4%	0.0 pp
Cash flow ¹	1,752	2,342	-25.2
Earnings per share (SEK)	6.45	5.96	8.2

¹ Cash flow from operating activities excl. ICA Bank



EBIT variance analysis Q3 (estimate)

	MSEK
EBIT Q3 2019	1,599
Sales Volume	79
Margin	91
Store costs	42
Other costs	-112
EBIT Q3 2020	1,698



Significant volume growth continue to drive earnings

Net sales growth +7.2%

- Mainly wholesale volume growth
- Covid-19 effect on sales +3.9%
- Strong online growth

EBIT progress largely driven by approx. +85 MSEK covid-19 effect

- + Sales volume growth
- + Private label sales
- + Profit sharing, +23 MSEK
- + Store operating costs
- High pressure on online operations
- Investing in business development, new competencies and strategic initiatives

MSEK	Q3 2020	Q3 2019	Change %
Net sales	23,035	21,494	7.2
EBIT	1,208	1,111	8.8
EBIT Margin	5.2%	5.2%	0.1 pp



- Growth in local currency +0.4%
- Covid-19 effect in Q3 -2.4%

- + Assortment mix effects
- + L&D efficiency
- + Cost savings
- Store costs – store network changes and salaries
- Investing in e-commerce

MSEK	Q3 2020	Q3 2019	Change %
Net sales	3,946	4,044	-2.4
EBIT	227	211	7.7
EBIT Margin	5.8%	5.2%	0.5 pp



Sales and earnings still held back by covid-19 effects

Sales growth +2.7%

- Positive price effects, negative volume development. Covid-19 impact -3.0%
- High increase in online sales, +121%

EBIT and EBIT margin down. Covid-19 effect approx. MSEK -45

- Sales volume
- Assortment mix and lower share of PL
- E commerce and digitalisation costs
- + Cost savings
- + Automation issues last year

MSEK	Q3 2020	Q3 2019	Change %
Net sales	3,648	3,553	2.7
EBIT	101	109	-7.2
EBIT Margin	2.8%	3.1%	-0.3 pp



A stable quarter – higher property valuation

Net sales higher

- Volume driven

Improved EBIT, covid-19 impact insignificant

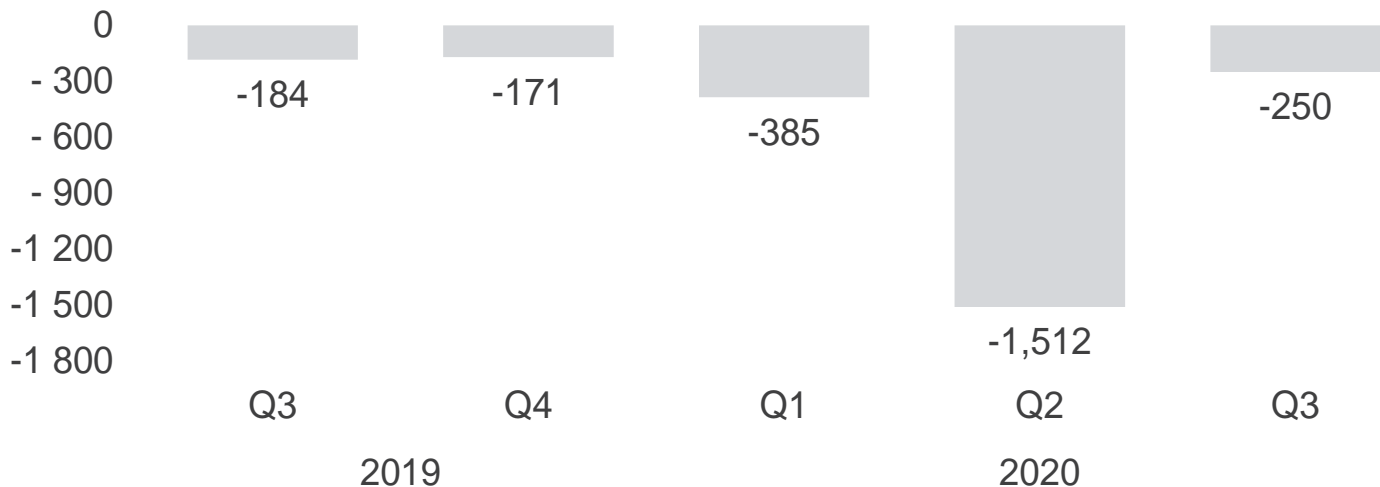
- + Increased rent income, including DC acquisition impact
- Slightly higher costs and different cost phasing vs last year
- One-off settlements MSEK -12

Updated market valuation of real estate portfolio, development +2% vs LY

- Wholly owned properties, SEK 18.0 billion (book value SEK 12.7 billion)
- Including joint ventures (50% ownership) SEK 23.9 billion (book value SEK 17.4 billion)

MSEK	Q3 2020	Q3 2019	Change %
Net sales	699	681	2.7
<i>whereof owned properties</i>	308	270	13.8
Net Yield	7.0%	6.8%	0.2 pp
EBIT	143	136	5.2
EBIT Margin	20.4%	19.9%	0.5 pp

Net Investments



Income growth continuing, one-offs affecting earnings

Continued good growth in net income

- Customer loans and Insurance volume growth
- Repo rate increase (from Jan)
- Lower net commission from bank cards, mortgages and cash handling

Lower EBIT, covid-19 impact
MSEK -25

- + Volume growth
- + Net interest (repo rate)
- + Operating costs
- Credit losses MSEK -47 vs LY
 - renewal of forward flow contract, MSEK -30
 - one-off LY MSEK +10
 - minor increase related to volume and realized losses

MSEK	Q3 2020	Q3 2019	Change %
Net income	434	399	8.8
EBIT	47	76	-37.8
Business Volume	45,211	50,578	-10.6



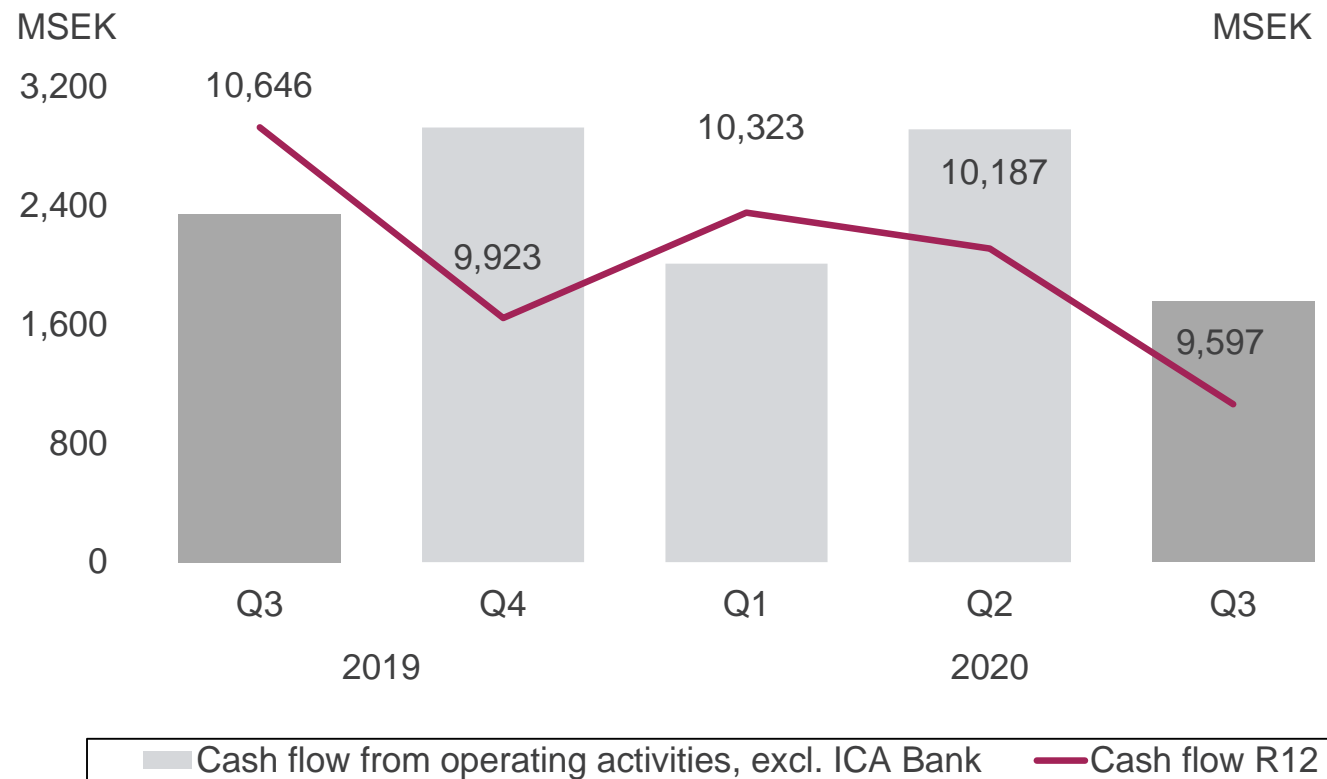
Cash-flow lower due to calendar effects

Operating cash-flow lower than LY:

- Positive volume effects
- Unfavourable quarterly closing working capital positions (accounts receivable)
- Paid tax higher



Cash flow (excl. ICA Bank)



Net debt level stable

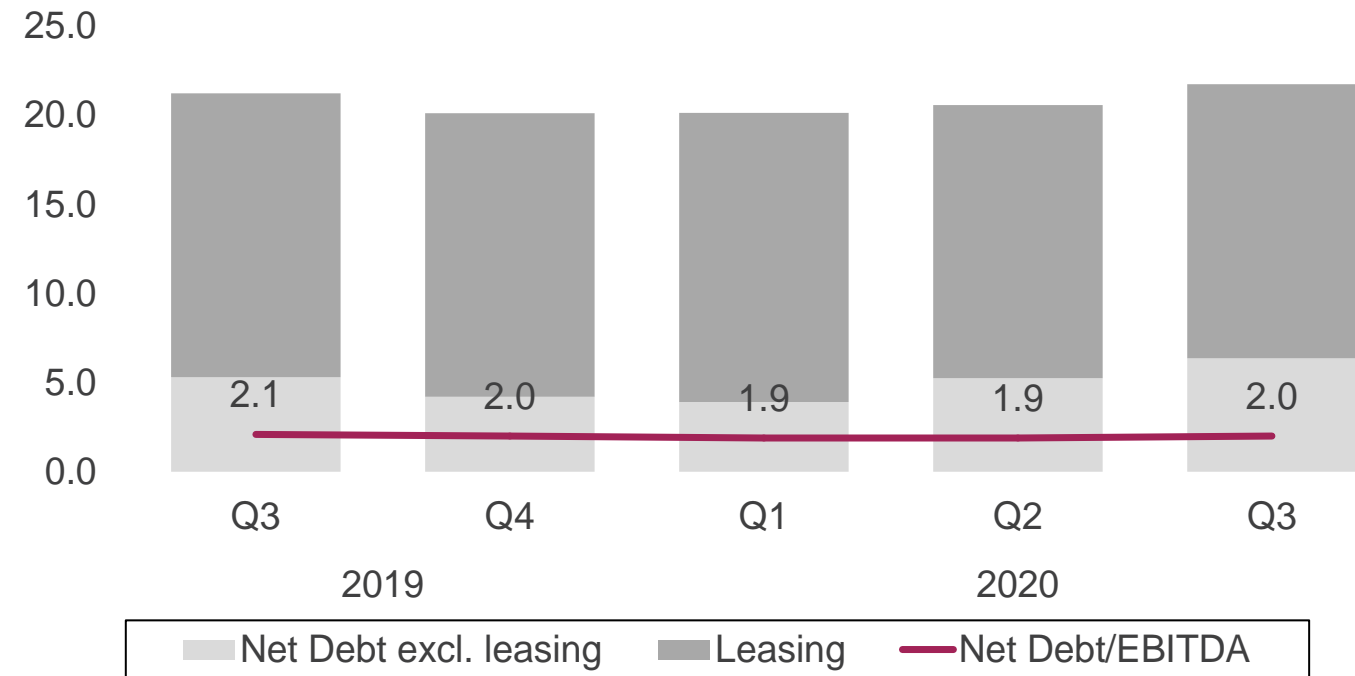
Slightly higher due to increased capex
Net debt ratio 2.0x

IFRS16 adds SEK 15.4 billion to net debt as per Q3 2020



Net debt

MSEK



Long term financial targets

Targets	R12 (30 Sep 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	9.1	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 (Sweden and Pharmacy Q3, 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 was decided by the AGM 21 April, 2020. Second half of the dividend resolved in favour of the Board's proposal at Extraordinary General Meeting on 22 September of SEK 6/share



Outlook and Summary

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 cash handling
- Set-up of new mortgage joint venture

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
- 6-8 new pharmacies in 2020

ICA Gruppen

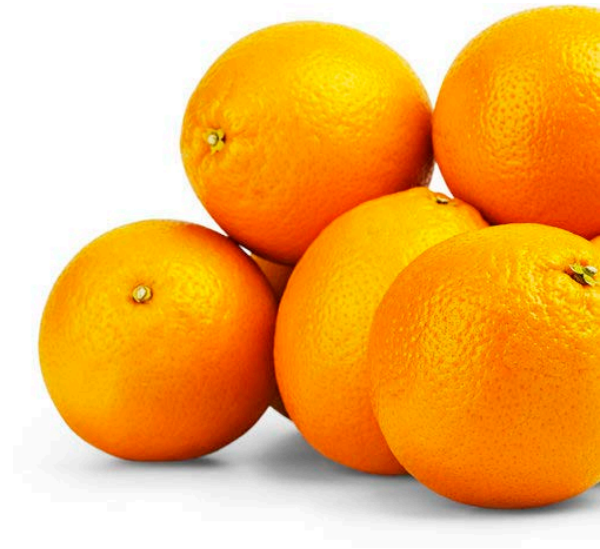
- Group costs guidance MSEK 450 FY
- Group capex guidance 2020 after DC acquisition, from SEK 4bn to SEK 5bn

In brief

Sales and EBIT better, decreasing covid-19 impact

ICA store sales slightly above market growth

Continued market share growth online



Capital markets day 2020

- ICA Gruppen invites the financial market and representatives from the media
- December 9, 2020
- Digital event 14-16.15 pm CET
- Invitation and program: www.icagruppen.se/en/investors



Thanks!

2020-10-23

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 October 23, 2020 at 7.00 CET.

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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.