



Securing a #1 position online

Anders E Svensson, CEO ICA Sweden, Deputy CEO ICA Gruppen

Andover, 12 November 2018



Summarizing ICA online

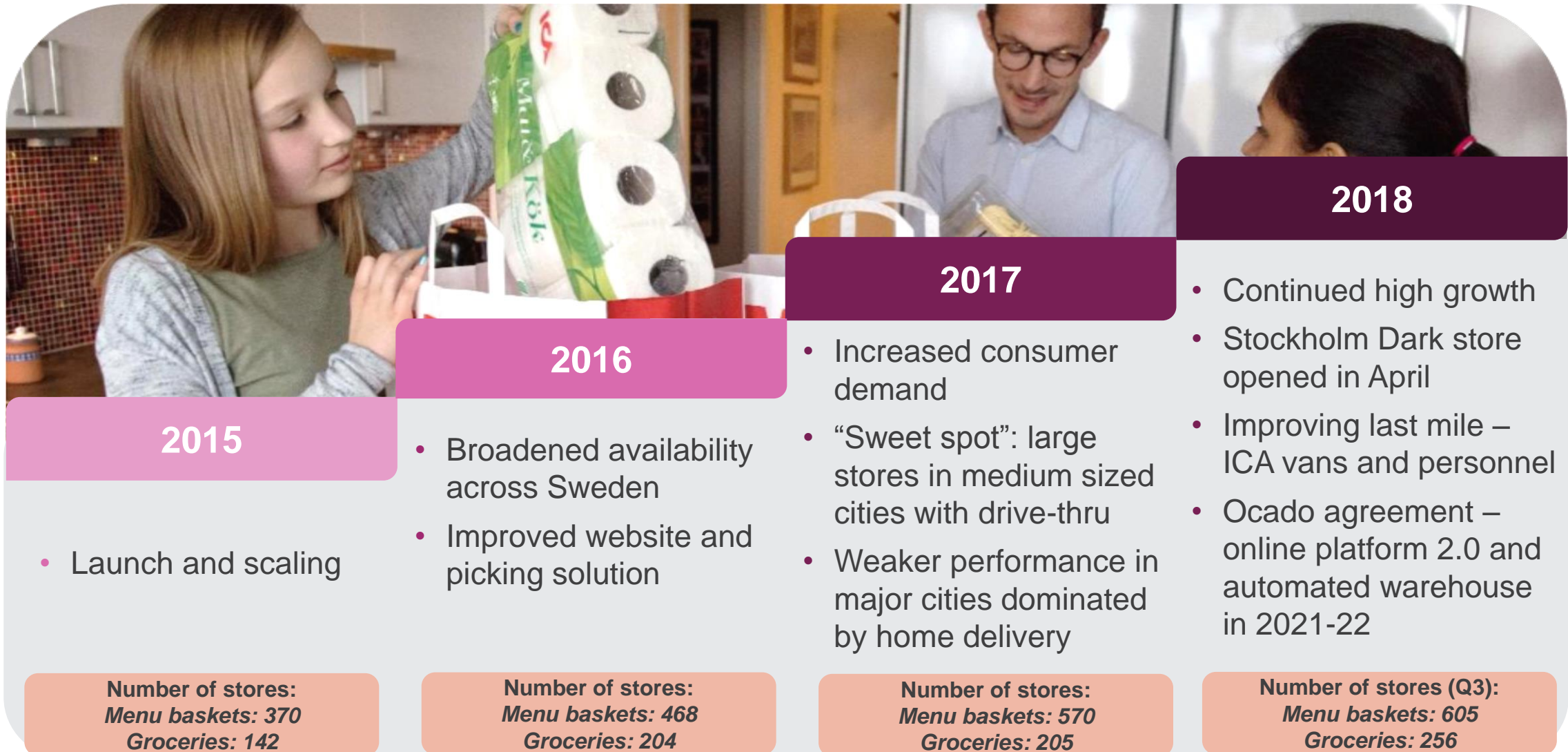
Rapid growth – market leader in 2017

Dark store in Stockholm – metropolitan growth

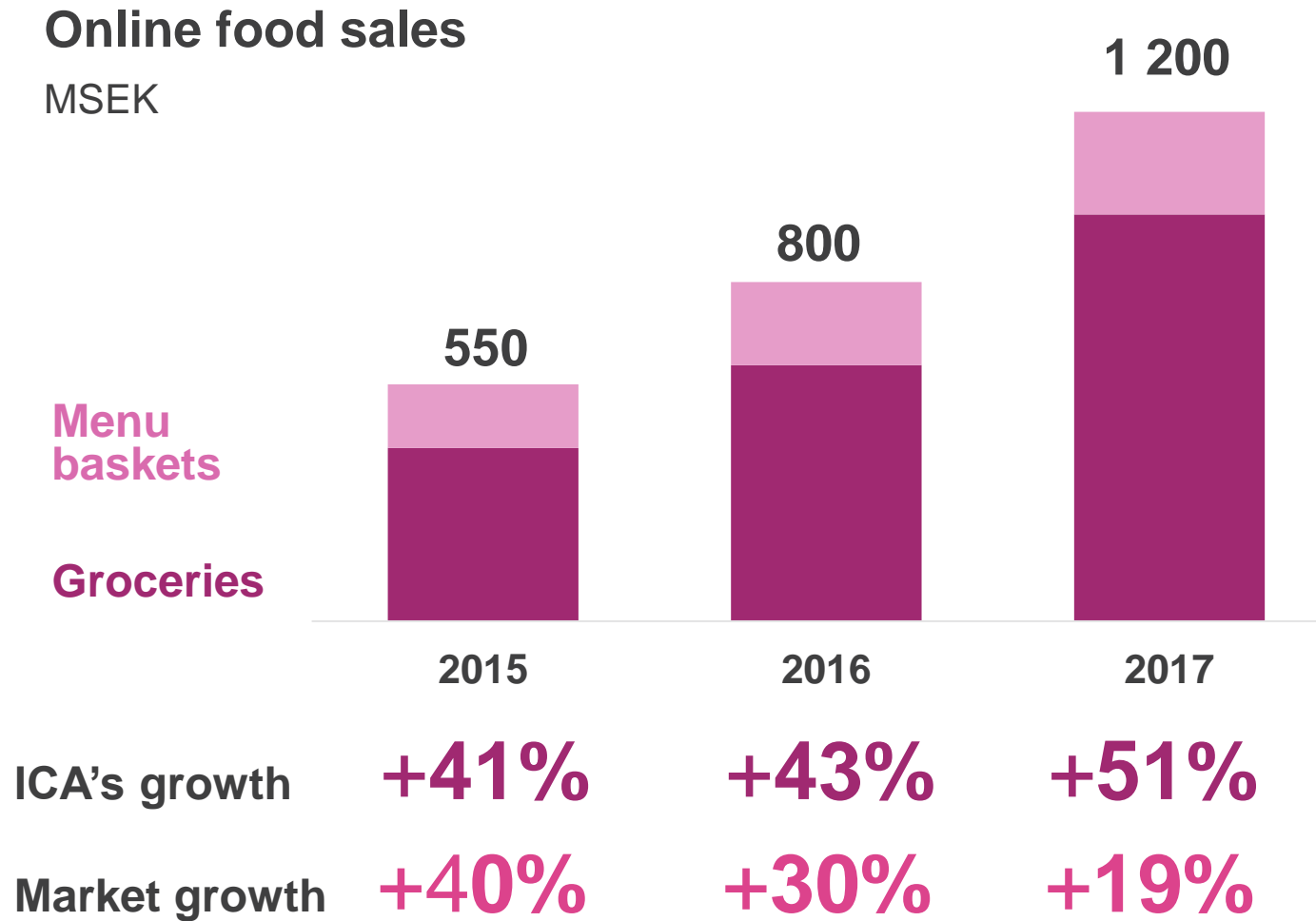
Securing a #1 online position



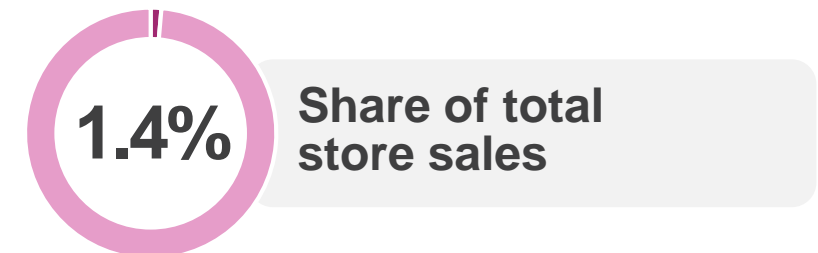
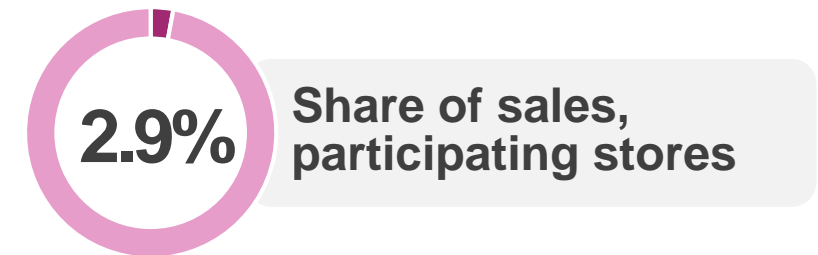
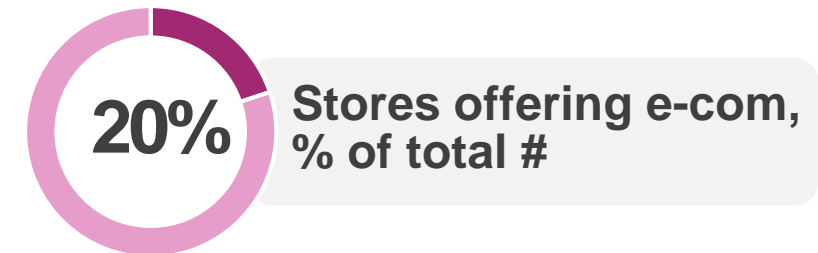
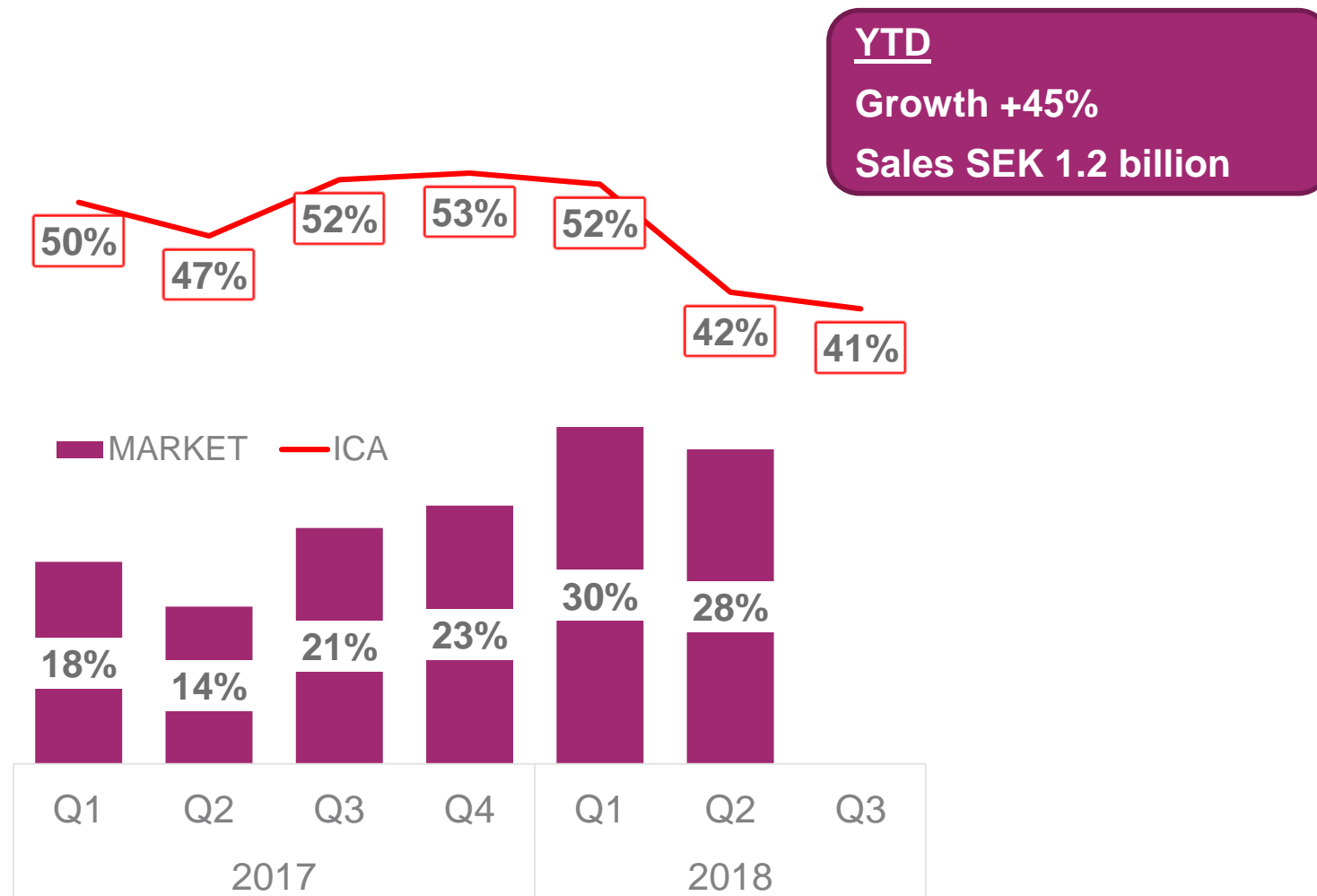
ICA's grocery e-commerce was launched in 2015....



...and reached market leadership in 2017...



..with continued good growth in 2018



Increase in total spend when an offline customer becomes a multichannel customer....



+10-15%*

And average basket substantially higher (SEK)

Online customer

1,053

Online customer in store

346

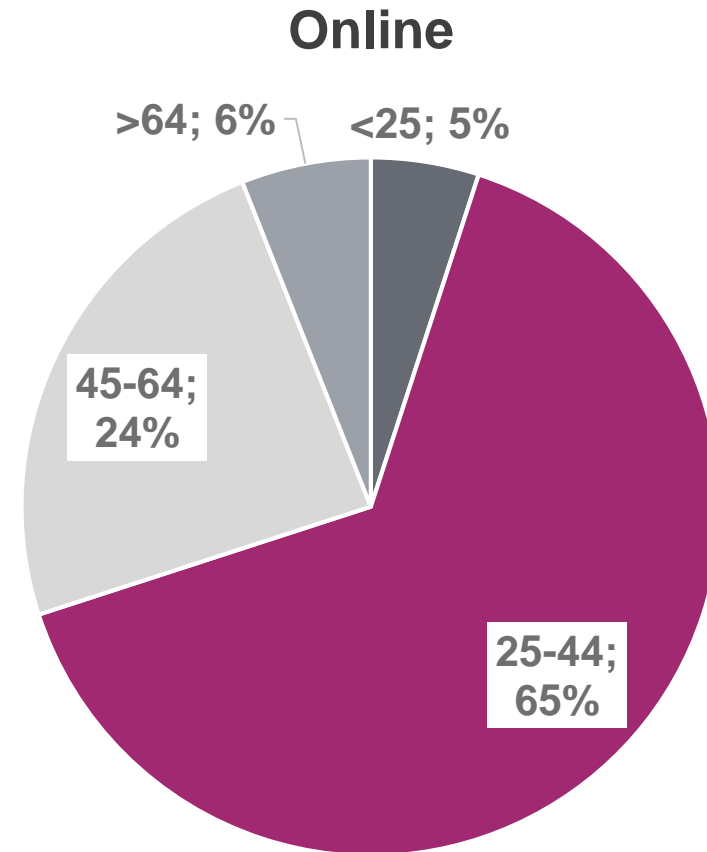
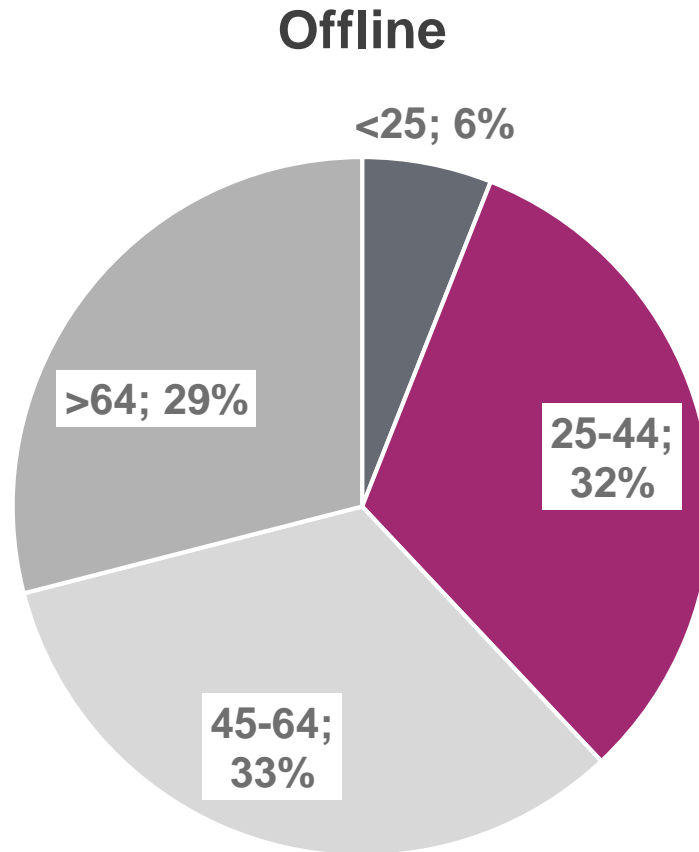
Offline customer

206

The online customer spends 16% of total ICA purchases online

**Based on development of ICA Card customers who start to shop online*

...and age distribution much different



Key success factors for online grocery shape our plans

Key success factors:

Success with customers – sales and growth:

- "Ease of shopping" (incl. familiar assortment)
- Last mile (pick-up / home delivery)
- Assortment size and price
- Strong brand and trust (fresh food; not a simple product search/comparison)
- Large existing customer base & website traffic

Creating a sustainable/profitable business:

- Commercial optimization (mix / price)
- Cost efficiency, mainly:
 - Fixed cost coverage of IT, central organization and distribution costs (scale)
 - Picking efficiency at rising volume levels (store pick -> dark store -> automation)
 - Average basket size
 - Purchasing prices

Our priorities 2018 and onwards:

- **Build volume in Stockholm Dark Store – coverage, assortment and last mile. Secure efficient operation**
- **Expanding to more stores (and potentially more dark stores in other large cities)**
- **Continuous improvements of website and marketing**
- **Start-up of Ocado cooperation. Secure project deliverables**
 - **Migrating to new e-commerce platform in 2021**
 - **Automated CFC in Stockholm area by 2022**
- **More integrated ecosystem – other assortments; other digital services e.g. recipes, apps**

Dark store in permanent location – now in operation

- ~50 stores have signed up for our Dark store in Stockholm by end of September
 - >450 stores use our Dark store for menu baskets
- New warehouse in Jordbro, south of Stockholm up and running since end of October
- Enhances operational efficiency, increases capacity and improves service
- Number of orders handled every week have doubled since after the summer
- Metropolitan sales now the primary growth driver within ICA's online business



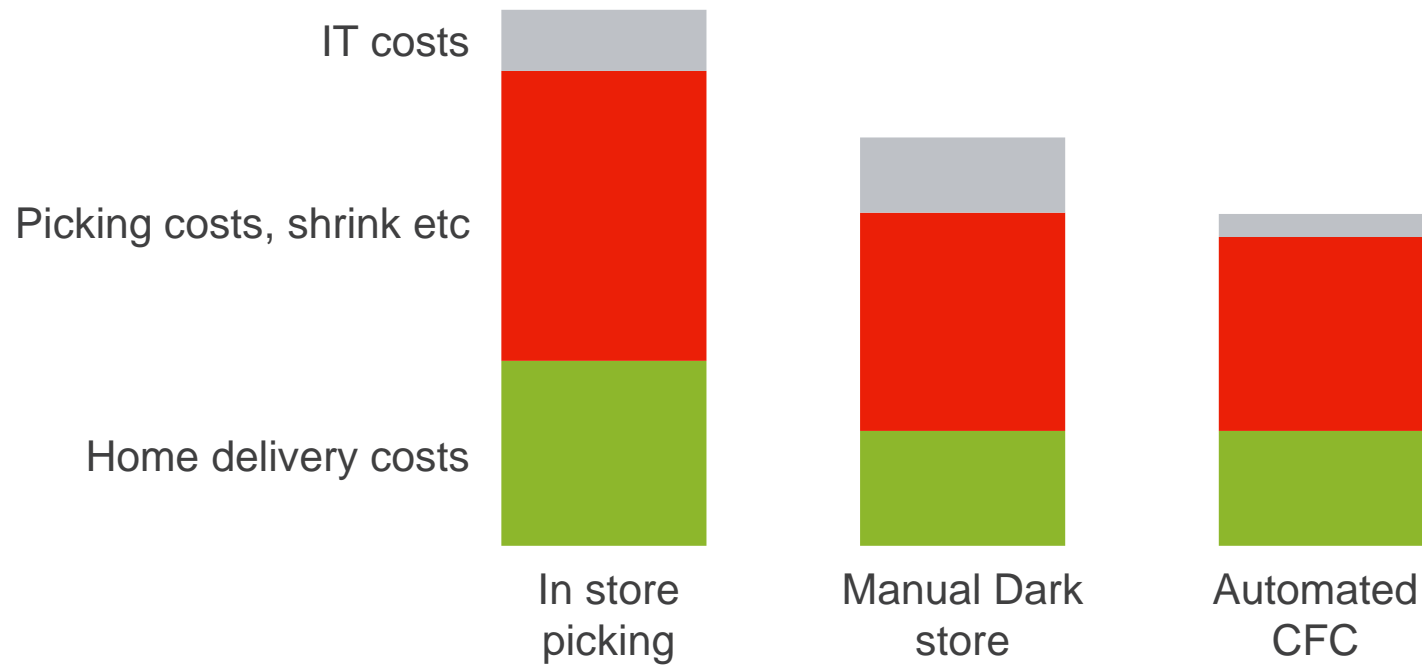
Ocado agreement an important step in building ICA's online capability – and to secure a #1 position online

- A world leading e-commerce platform (2021)
- A highly automated warehouse to streamline logistics flows and create efficiencies (2022)
 - Much lower picking costs
 - Home delivery more efficient
 - Wider product range – up to 40,000 sku's
- New platform will also facilitate cross-opco functionality, enabling combined online customer offerings



Continued online growth, allows for a higher degree of automation, and higher cost efficiency

Cost per order (Illustrative)



Centralisation and automation of picking creates significant cost advantages at higher volumes

Centralisation also facilitates optimization of home delivery, and significantly lower the cost of the service

In addition, automation enables a much wider assortment (40 000+) without significant penalty in productivity

Online follows our normal business model principles

ICA SWEDEN / ICA GRUPPEN

“Provides the solution; sells wholesale”

- IT platform/website
- Integration with other systems and rest of ICA's eco-system
- Concepts and services for retailers, e.g.
 - Marketing, incl. CRM, SEO, SEM
 - Store picking solution
 - Central picking and home deliveries (where applicable)
 - Commercial support; advice; training

RETAILERS

“Tailors offering; sells to consumers”

- Decide whether to join ICA Online
- Set local customer offering (prices, assortment, last mile offer)
- Make store investments (e.g. cooling room; drive through)
- 1st line customer service, returns
- Local marketing and promotions



Sells wholesale (same margin as offline) and a service to retailers

Sells retail; funds investments; buys a service; covers picking/delivery costs



Our goals

- Market leadership
- Full coverage of Sweden
- Significantly improved last mile offer in major cities
- Seamless omni experience and offerings across segments
- Best e-com customer experience, commercially optimized for each local competitive environment (city size, demographics, location, store size etc.)
- Most cost-efficient back-end



Appendix

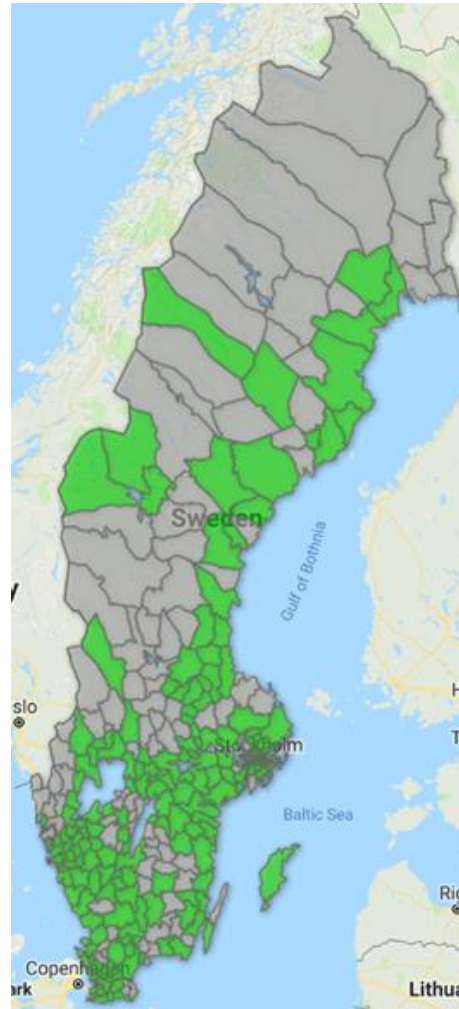


Geographical coverage & some more facts

Groceries online


Number of stores	256
Number of municipalities	203 (of 290)
Share of population	77%
% Home delivery	57%
% Click'n Collect	43%

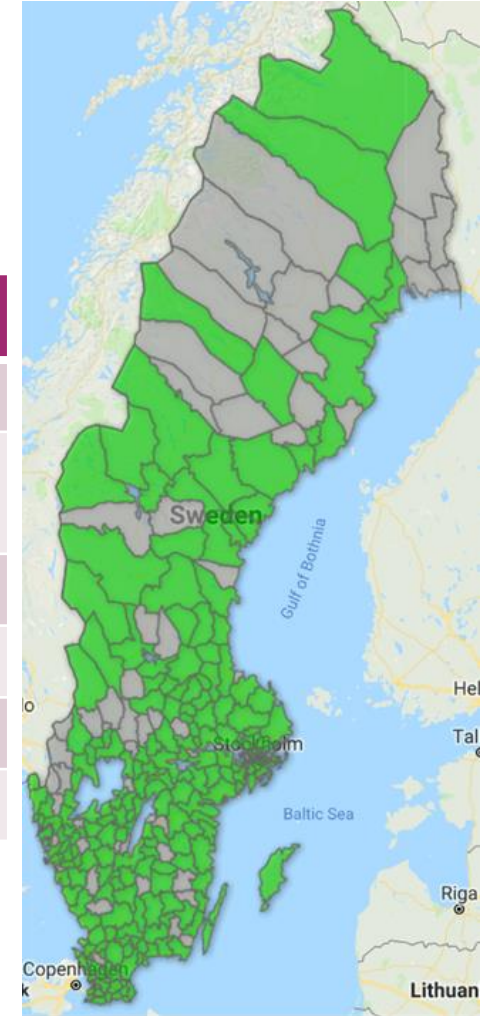
 Delivery / C&C
 No coverage



Menu baskets

Number of stores	617
Number of municipalities	229 (of 290)
Share of population	94%
% Centrally picked	66%
% Home delivery	4%
% Click'n Collect	96%

 Delivery / C&C
 No coverage



Källa: CUB/ BI

Ocado agreement – some key figures

- Overall capex in 2018-2022
 - ICA Sweden: ~600 MSEK
 - Whereof ~200 MSEK in 2018
 - ICA Real Estate ~500 MSEK
- Group total SEK ~1.1 billion
- Impairment in Q2 2018 ~80 MSEK