



# FY 18 Results

## February 2019

# DÍA



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# Today's speakers

**DIA**



## **Borja de la Cierva**

Chief Executive Officer  
*>30 years of experience*

- Appointed BoD member in September 2016 and CEO in December 2018
- Relevant experience in retail: Supply Chain Manager of **El Corte Ingles**, CFO of **Inditex**
- Started his career working 9 years at **Arthur Andersen**
- Holds a degree in Business Administration and is a chartered accountant



## **Enrique Weickert**

Chief Financial Officer  
*>20 years of experience*

- Appointed CFO in December 2018
- Relevant management experience: CFO of **OHL Group**, CFO of **Fertiberia**
- Started his career working 9 years at **Arthur Andersen / Deloitte**
- Holds a degree in Business Administration and is a chartered accountant



## **María Miralles**

Chief Transformation Officer  
*16 years of experience*

- Appointed CTO in January 2019
- Relevant experience in retail: retail sector partner at **Oliver Wyman** for the last 13 years (experience in transformation processes in Europe, North American and Latin America)
- Previous experience at DIA as a consultant since 2016
- Holds a MEng in Agricultural engineering

# DIA at a glance

# DIA



Source: DIA, Nielsen

**Notes:** 2018 Figures; Store numbers exclude Clarel and Cash & Carry

1. Defined as gross sales of private label products divided by total gross sales in Spain excluding perishable food

2. Based on market share of DIA Plaza in the omnichannel in Spain, YTD 2018 excluding December

3. Based on number of stores this includes retailers with a value market share larger than 3.5%

4. Top 100 global franchises (Franchise Direct)

5. Spain, Portugal, Argentina & Brazil





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# 01

## Financial Review

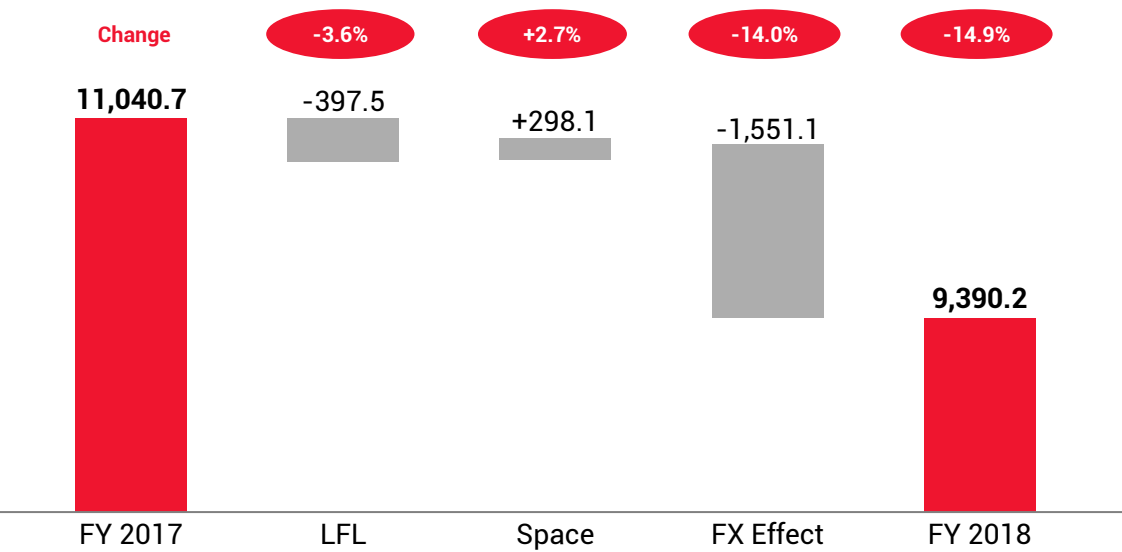


# Sales performance

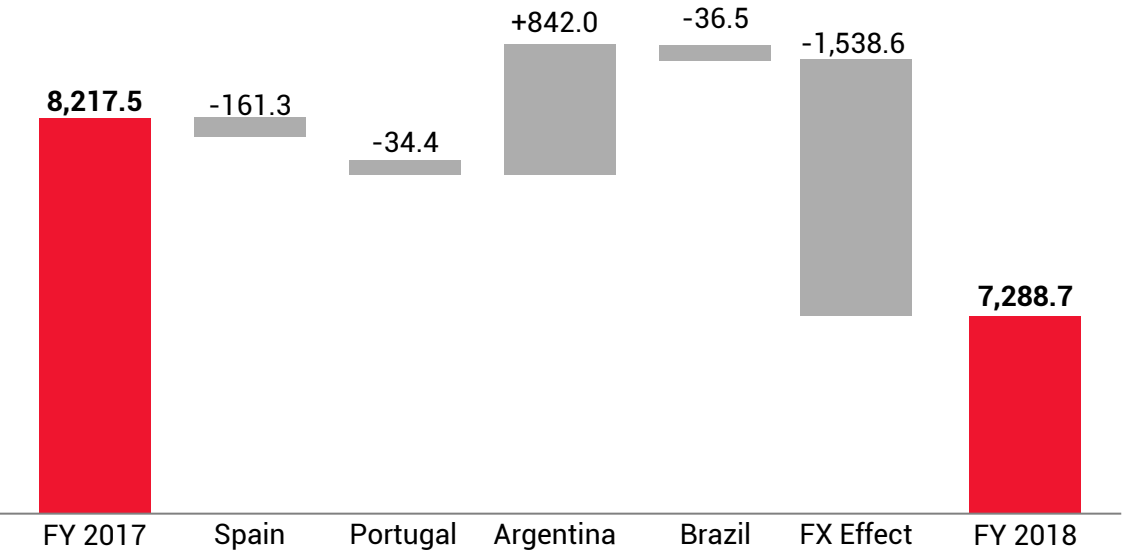
EURm

- -40.3% Euro/Argentinian Peso
- -16.2% Euro/Brazilian Real

## Gross Sales Under Banner



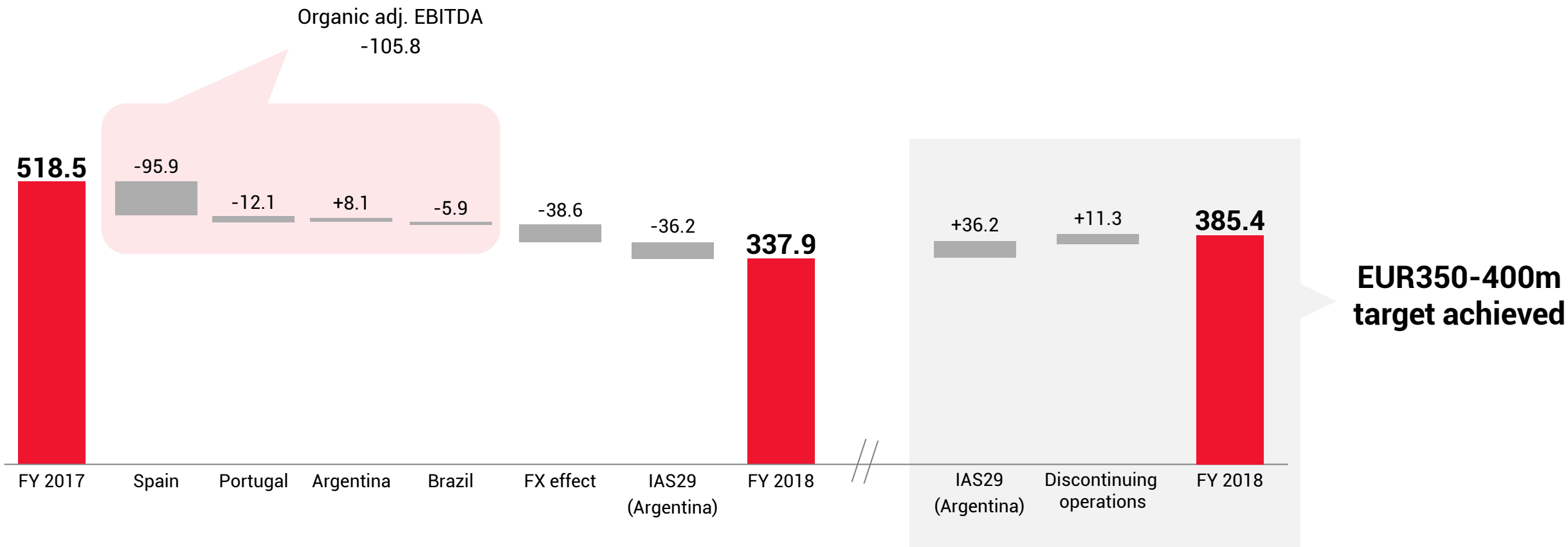
## Net Sales





# Adjusted EBITDA

EURm





# FY 2018 results summary

**DíA**

EURm	2018 As Reported	Impairment	2018 Adjusted	2017 Re-expressed	Var (%)	Var (EURm)
<b>NET SALES</b>	<b>7,288.7</b>		<b>7,288.7</b>	<b>8,217.5</b>	<b>-11%</b>	<b>-928.7</b>
<b>Adjusted EBITDA <sup>1</sup></b>	<b>337.9</b>		<b>337.9 <sup>2</sup></b>	<b>518.5</b>	<b>-35%</b>	<b>-180.6</b>
Other cash items	-91.9		-91.9	-47.5	93%	-44.3
<b>EBITDA</b>	<b>246.0</b>	<b>0.0</b>	<b>246.0</b>	<b>470.9</b>	<b>-48%</b>	<b>-224.9</b>
D&A	-235.2		-235.2	-223.7	5%	-11.5
Impairment of Assets	-79.9	79.9	0.0	-12.1	-100%	12.1
Losses on disposal of Assets	-25.4		-25.4	-17.2	48%	-8.2
<b>EBIT</b>	<b>-94.5</b>	<b>79.9</b>	<b>-14.6</b>	<b>218.0</b>	<b>-107%</b>	<b>-232.6</b>
Net financial result	-84.9		-84.9	-53.3	59%	-31.6
Gain from net monetary position	67.5		67.5	0.0		67.5
<b>EBT</b>	<b>-111.9</b>	<b>79.9</b>	<b>-32.0</b>	<b>164.7</b>	<b>-119%</b>	<b>-196.7</b>
Income Tax	-16.4		-16.4	-52.0	-68%	35.6
Impairment of DTAs	-170.5	170.5	0.0	0.0		0.0
<b>Consolidated Profit</b>	<b>-298.9</b>	<b>250.4</b>	<b>-48.4</b>	<b>112.7</b>	<b>-143%</b>	<b>-161.1</b>
Discontinuing Operations	-15.7		-15.7	-11.5	37%	-4.2
Impairment Discont.Op. (Clarel)	-38.0	38.0	0.0	0.0		0.0
<b>Net Attributable Profit</b>	<b>-352.6</b>	<b>288.4</b>	<b>-64.2</b>	<b>101.2</b>	<b>-163%</b>	<b>-165.3</b>
<b>Net Underlying Profit</b>	<b>49.7</b>	<b>0.0</b>	<b>49.7</b>	<b>191.3</b>	<b>-74%</b>	<b>-141.7</b>

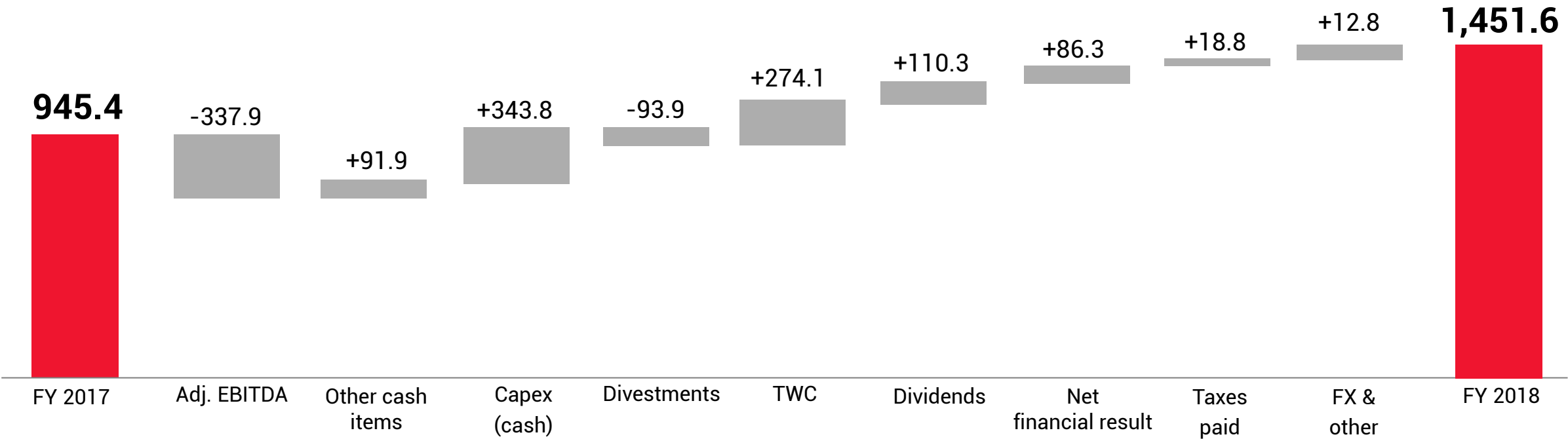
Note:

1. Adjusted by other cash items

2. Not including 11,3 m of Clarel and Max Descuento

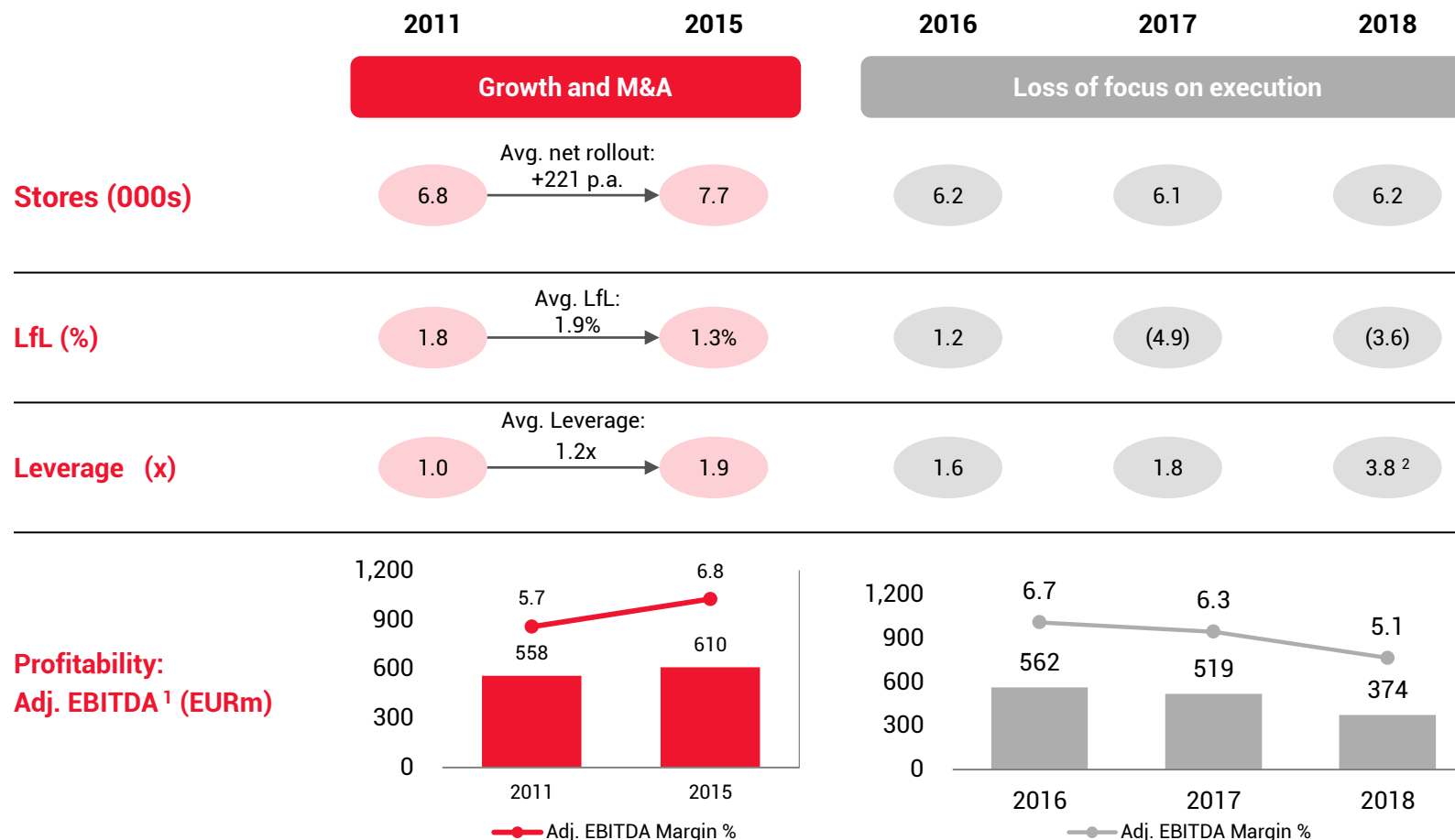
# Change in net debt

EURm





# Three distinct phases in our performance as an independent company



**"End 2018+"**

**Refocus on execution: our new strategy**










Source: DIA

Notes: 2011 – 15 as reported, 2016 – 18 audited restated and re-expressed figures excluding Clarel and Cash & Carry, pre-IAS29

1. Defined as operating profit after adding back depreciation and amortization (including amortization related to the closing of stores and impairment of fixed assets), losses on write down of fixed assets, "Other cash items"

2. Based on Adjusted EBITDA pre IAS29 including discontinuation of Clarel of EUR385.4m. Defined as Net Debt / Adj. EBITDA

# What led to deterioration of performance in 2017 – 2018?

-  Highly competitive environment in Iberia
-  Low franchisee support
-  Lower customer centricity
-  Acquisition strategy
-  Too many formats
-  Institutional focus on margins
-  Macroeconomic and FX headwinds in LatAm



**Profit warnings**



**Multiple changes in Board and Management**



**Rating downgrades**



**Liquidity Constraints**



# Next steps: working towards a sustainable capital structure

## Debt Refinancing

- **Indicative support from the syndicated facility lenders for an extension of the final maturity** of the syndicated facilities post Rights Issue (EUR 765m) **until March 2023**
- The **earlier pre-payment of up to EUR100m** with the proceeds from non-core assets disposals
- **Support based on a Head of Terms and subject to certain conditions, including the completion of a rights issue of EUR600m**

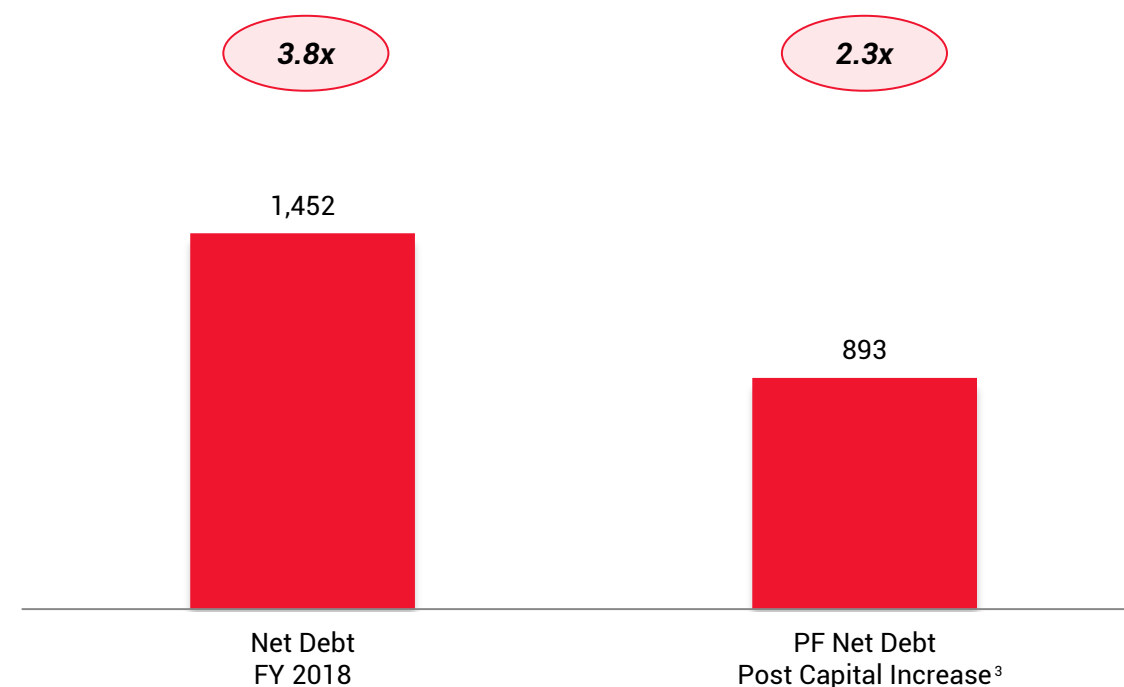


## Capital Increase

- **Rights issue of EUR600m**
- **To be underwritten** by Morgan Stanley<sup>1</sup>
- **Use of funds:** deleveraging and capex
- **Restores in a timely manner its net equity position** (EUR-166m consolidated equity at year-end 2018, of which EUR-99m in the parent company)

## Post Capital Increase Deleveraging

EURm, as of December 2018<sup>2</sup>



Net Financial Debt / Adj. EBITDA (Adj. EBITDA EUR385.7m)

Source: DIA

Notes:

1. Subject to certain conditions
2. Based on Adjusted EBITDA (pre IAS 29) including discontinued operations of EUR385.4m
3. Assuming EUR600m capital increase (EUR558.2m net of related costs), but excluding refinancing adjustments



# 02

## Strategic Update



# Grocery retail is changing rapidly



## CONSUMER SEEK

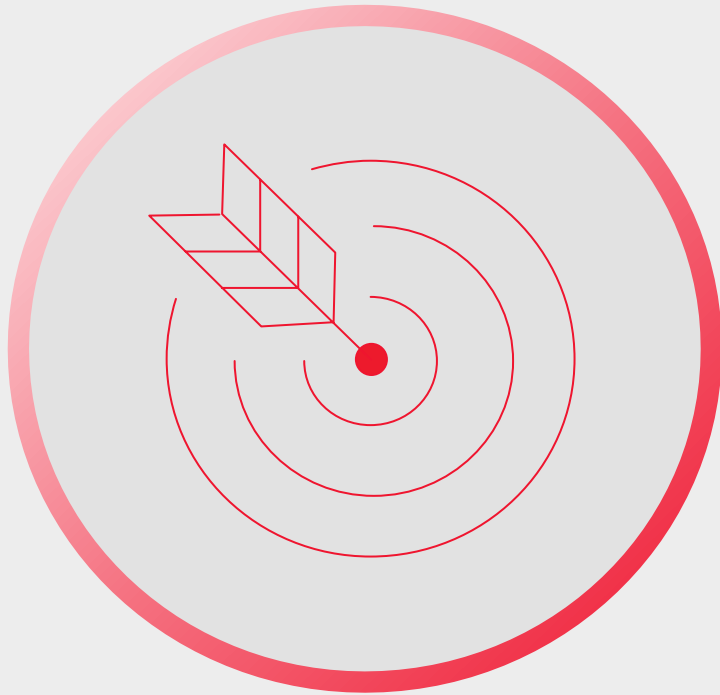


## ENVIRONMENT EVOLVES



## COMPETITION ADAPTS





“Our ambition is to be the **day-to-day** grocery retailer **closest to our customers**; providing them with **the best value convenience** through our extensive omnichannel store network”

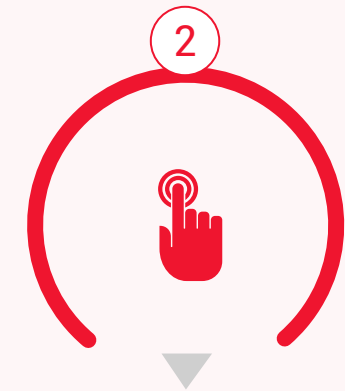
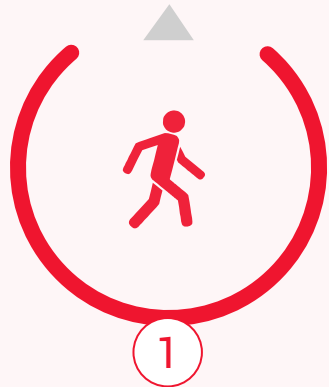


# Our structural advantages

**DIA**

## We are close to our customers

Our **convenience** focus provides exposure to favorable consumption trends



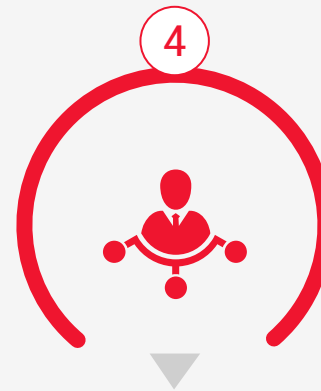
Our unparalleled **capillarity** in Spain gives us a unique level of access to customers

We benefit from a large, loyal and data-rich **customer base**



## We have strong operational know-how

We keep a developed range of **private label** with over 2,000 SKUs in Spain



We have historically solid relationships with our **suppliers**



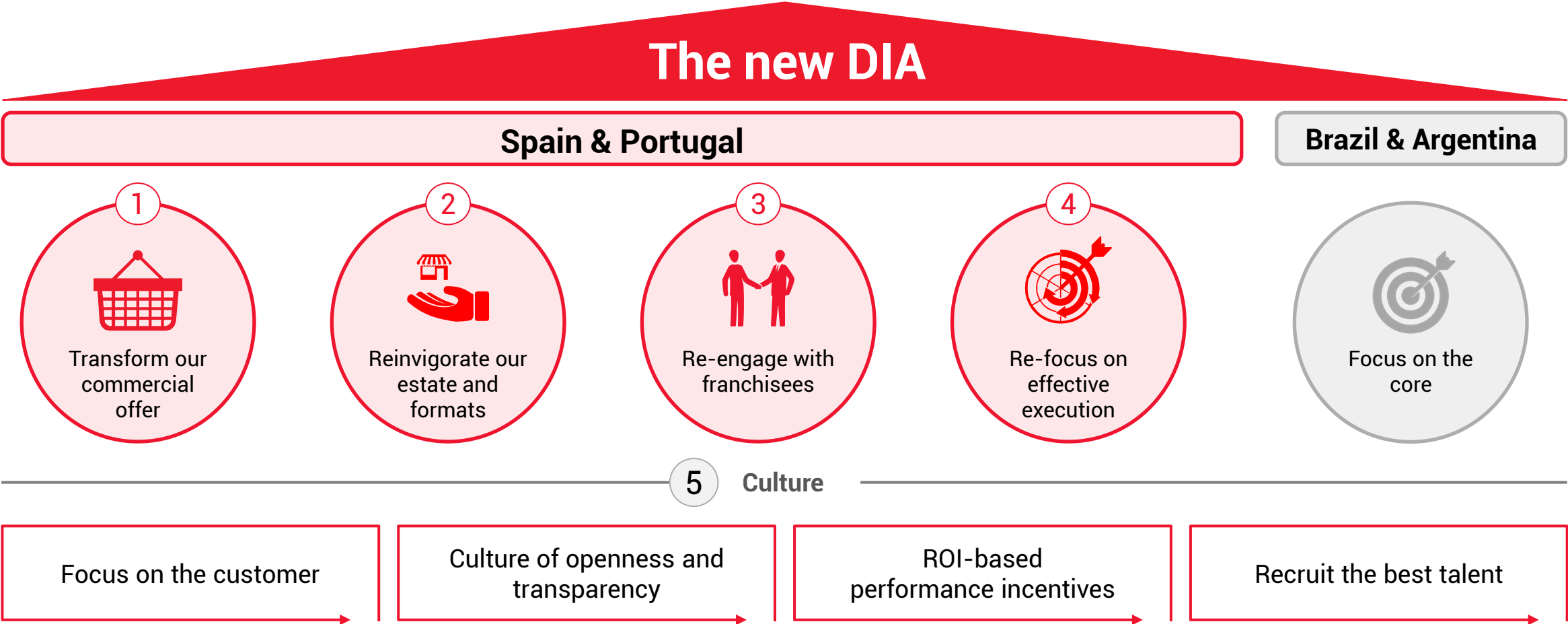
## We manage capital efficiently



Our **asset light** franchise model enables us to deliver high store returns and industry-leading margins



# Transformation programme focused on Spain & Portugal and supported by renewal of our culture



# 1 Transform our commercial offer



## Offer

Step-up Fresh offering with higher share and frequency

Higher quality private label with continued innovation



## Price

Invest in on-shelf prices while reducing promotions

Personalised promotions driven by customer insights



## Perception

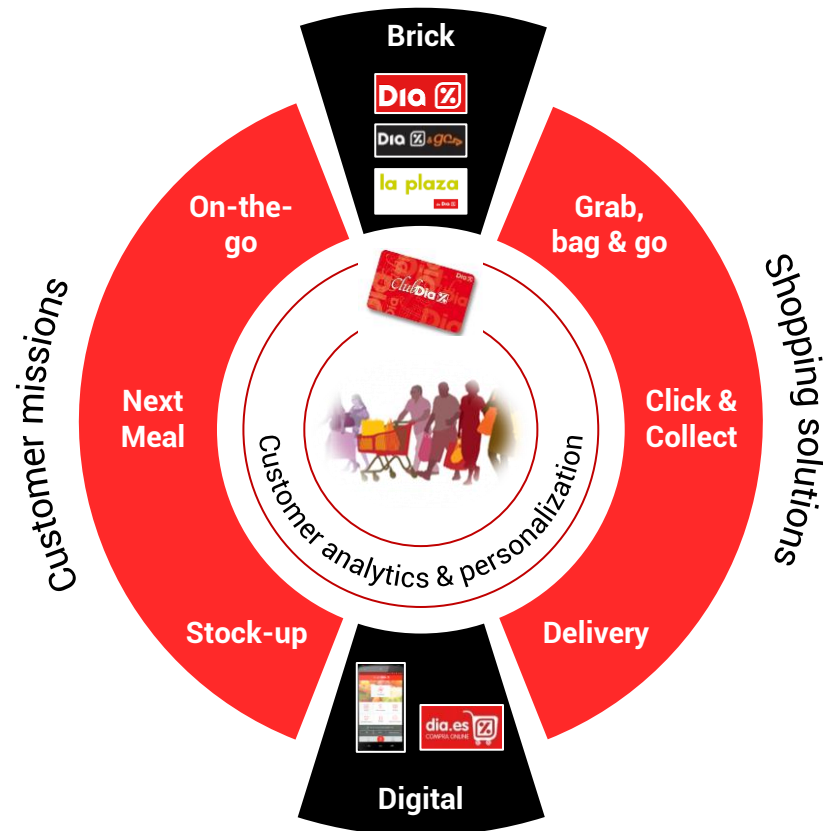
Rationalise assortment and space via SKUs reduction aligning with customer needs

Outstanding shopping experience driven by in-store services

**Quality and Convenience at the Heart of Our Offer**

## 2 Reinvigorate our estate and formats

**Omnichannel ecosystem built around convenience: what customers need, where they need it, when they need it**



### Case study: DIA&Go

- 144 stores operating in 2018
- 75% of stores showing high and in-line performance throughout the year <sup>1</sup>
- >27% average sales growth throughout 2018 with consistent monthly performance <sup>1</sup>
- Average margins >28%, with similar results delivered by both own and franchised stores <sup>1</sup>



Source: DIA Analysis

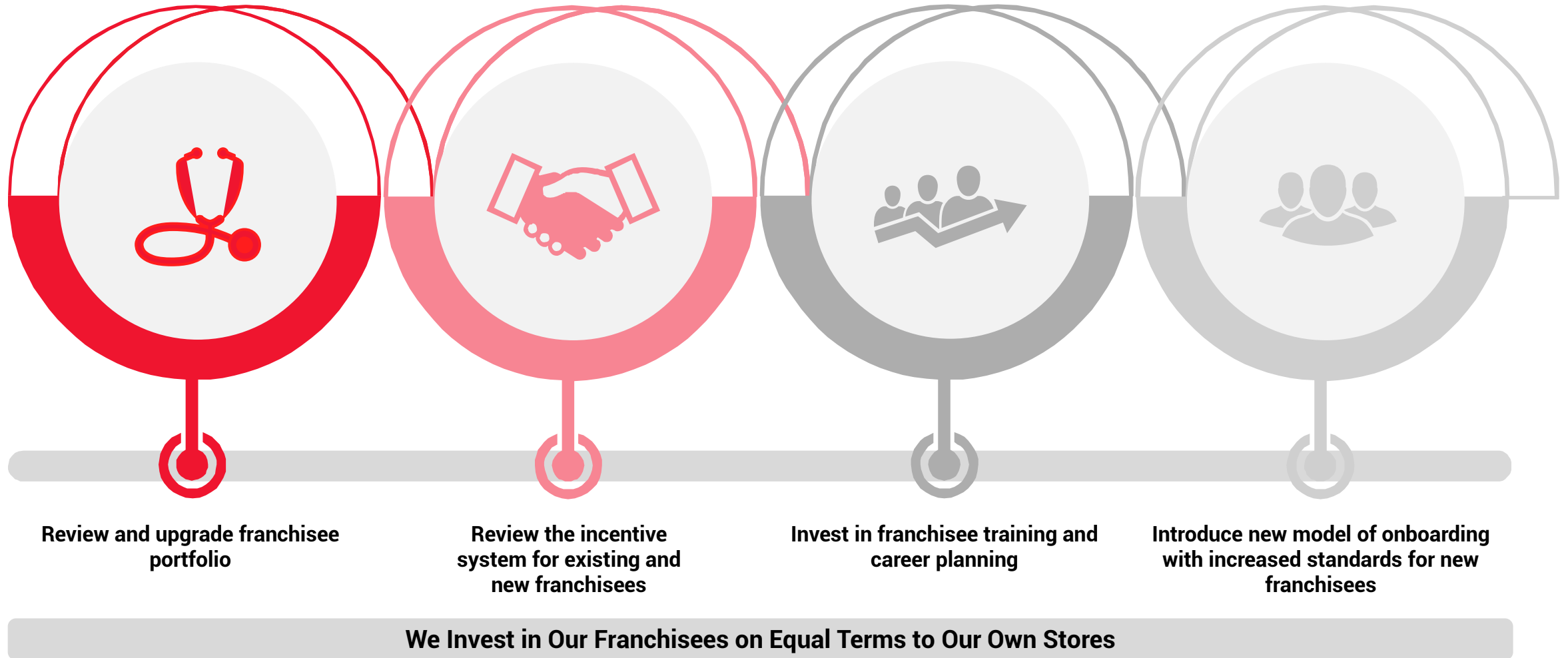
Notes

1. 84 comparable stores in 2018



### 3 Re-engage with franchisees

**DIA**



## 4 Re-focus on effective execution



### Re-engineer store operating model

Upgrade the store labour model

Reduce operational complexity

Optimise the store network

Launch the new store format



### Transform each link of the supply chain

Refocus on servicing the stores

Review cost structure

Re-negotiate with suppliers

New warehouse and delivery model



### Modernise our backbone

Implement ZBB<sup>1</sup> + ZBO<sup>2</sup>

Review processes / ways of working

Implement advanced analytics across the whole company

Upgrade IT infrastructure

Group-wide change driven by the Transformation Management Office

Organisation alignment

Loss  
and Inventory



Product  
Availability



Time  
to Market



Long-Term Driver for  
Effective Execution



Control  
& Visibility



#### Notes

1. Zero based budgeting

2. Zero based organisation

## 5 Renew and strengthen our company culture

**DIA**



Focus on the customer



Culture of openness and transparency



ROI-based performance incentives



Recruit the best talent

**Reinvigorated Corporate Leadership to Build the New DIA**



**Borja de la Cierva**  
Chief Executive Officer  
>30 years of experience



**Enrique Weickert**  
Chief Financial Officer  
>20 years of experience



**María Miralles**  
Chief Transformation Officer  
16 years of experience





# Our management team

**DíA**

## Executive Committee



**Borja de la Cierva**  
Chief Executive Officer  
32 Years of Experience



**Enrique Weickert**  
Chief Financial Officer  
21 Years of Experience



**María Miralles**  
Executive Director of Transformation  
16 Years of Experience



**José Antonio Lombardía**  
Executive Director of Clients  
25 Years of Experience



**Faustino Dominguez de la Torre**  
Executive Director Spain  
28 Years of Experience



**Pedro Barsanti**  
Executive Director of IT  
25 Years of Experience



**Alejandro Grande**  
Executive Director  
Human Resources  
20 Years of Experience



**Miguel Ángel Iglesias**  
Company Secretary  
29 Years of Experience



## Heads of Geographical Divisions



**Marin Dokozic**  
Executive Director  
Brazil  
20 Years of Experience



**Faustino Domínguez de la Torre**  
Executive Director  
Spain  
28 Years of Experience



**Damián Dircie**  
Executive Director  
Argentina  
20 Years of Experience



**Miguel Guinea**  
Executive Director  
Portugal  
28 Years of Experience



## Additional Management

**Iván Martín**  
Spain Operations Director  
17 Years of Experience



**Teresa Travesí**  
Customer Insights Director  
28 Years of Experience

INCOMING



**Miren Sotomayor**  
Reporting and Control Director  
19 Years of Experience



Position Covered Externally



Position Covered Internally

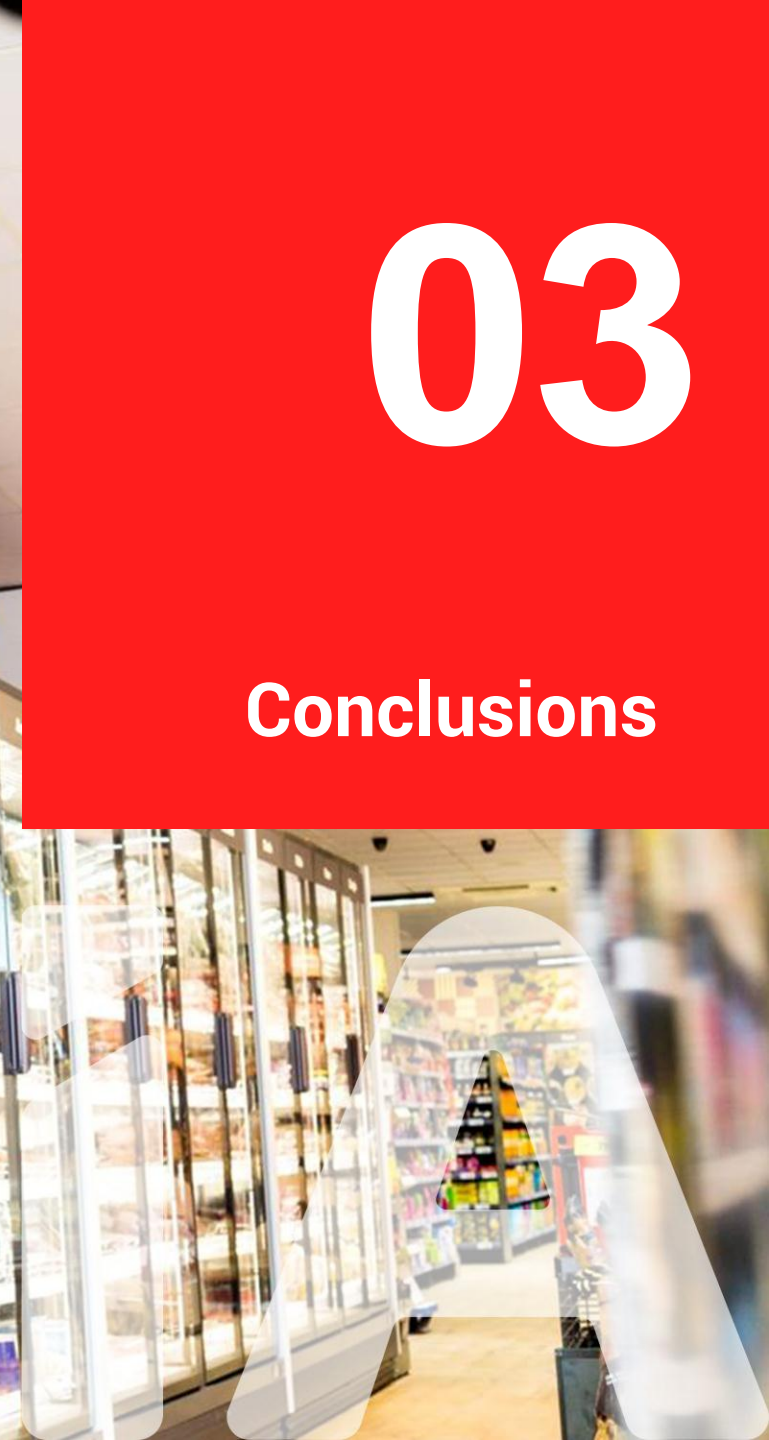


Previous Experience



03

## Conclusions





# A clear vision of the transformed company

**DíA**





# Reconfirmation of the outlook for DIA

**DIA**

**2018**

Reset

We guided towards:

✓ Adj. EBITDA of  
EUR350 – 400m  
(before IAS29)

✓ Capex: EUR350m

**2019**

A Transition Year

**Sharpen** our commercial model

Refocus on **effective execution**

Prudently deploy **CAPEX**

**2020 – 2023**

Completion of Turnaround

Mid-single digit **top-line growth**

**EBITDA upturn** in 2020E and  
**healthy growth** thereafter

**CAPEX at 3%-4%** in 2020-2023 to  
roll-out our new commercial model  
and build the **New DIA**

**Transformed model to underpin future growth**



Congelados

Precocinados

Pizzas

Pizzas

Pizzas

Pizzas

Pizzas

Pizzas

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Pizzas

04

Appendix



## Gross sales under banner by country

**DíA**

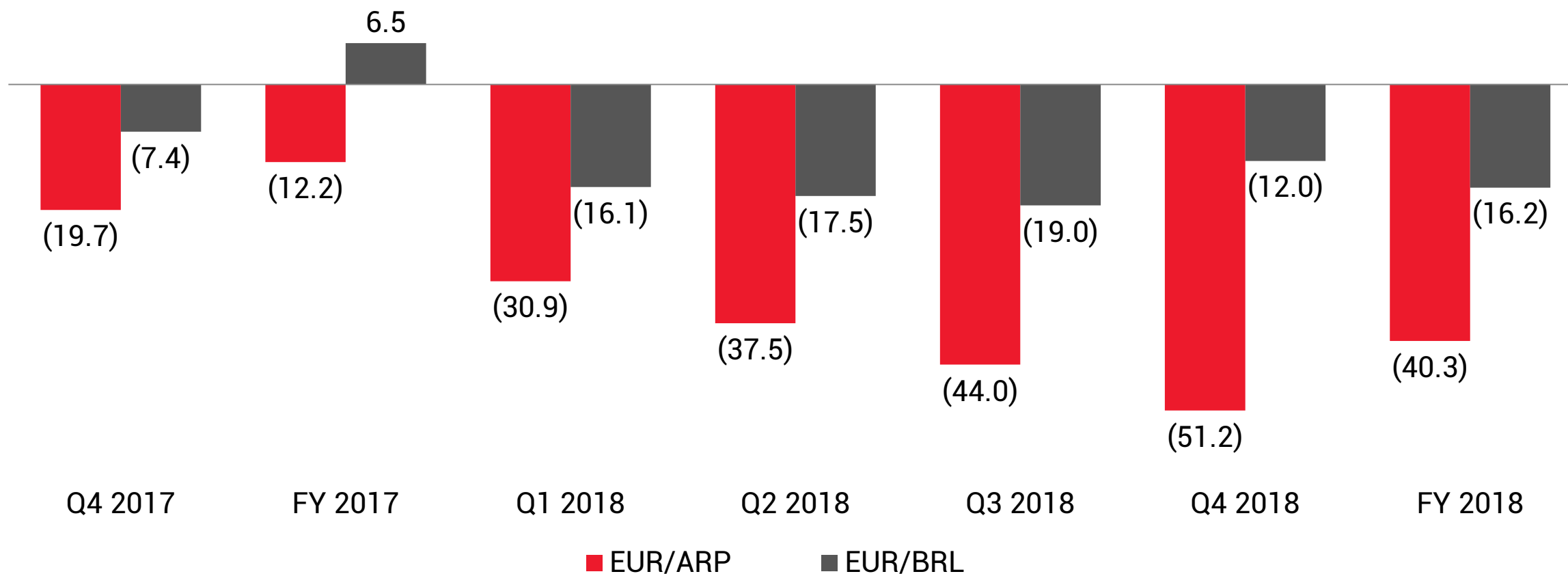
EURm	FY 2017	%	FY 2018	%	Change	FX effect	Change (ex-FX)
Spain	5,275.1	47.8%	5,147.7	54.8%	(2.4%)	0.0%	(2.4%)
Portugal	834.4	7.6%	808.4	8.6%	(3.1%)	0.0%	(3.1%)
Argentina	2,934.1	26.6%	1,794.5	19.1%	(38.8%)	(41.8%)	3.0%
Brazil	1,997.1	18.1%	1,639.6	17.5%	(17.9%)	(16.1%)	(1.8%)
<b>TOTAL DIA</b>	<b>11,040.7</b>	<b>100.0%</b>	<b>9,390.2</b>	<b>100.0%</b>	<b>(14.9%)</b>	<b>(14.0%)</b>	<b>(0.9%)</b>



# Currency performance

(%)

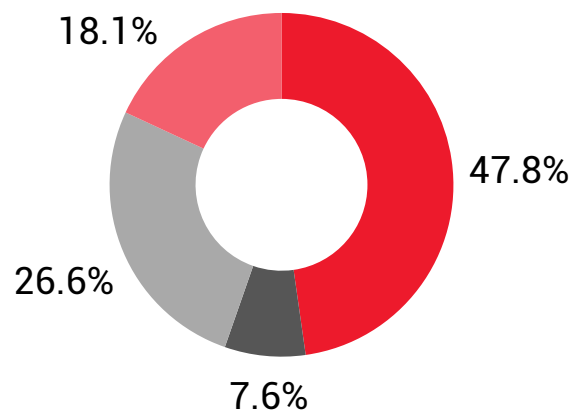
**DIA**



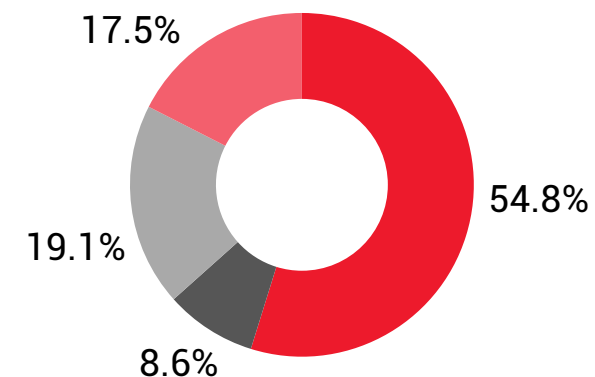
Source: Bloomberg average currency rates (a negative change in exchange rates implies a depreciation versus the Euro)

# Gross sales under banner & adjusted EBITDA by segment

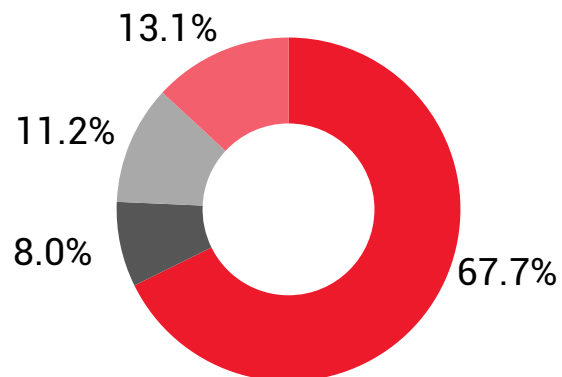
**FY 2017 Gross sales under banner**



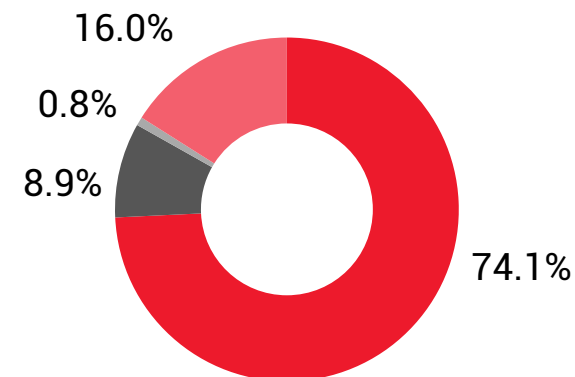
**FY 2018 Gross sales under banner**



**FY 2017 adjusted EBITDA**



**FY 2018 adjusted EBITDA**



■ Spain ■ Portugal ■ Argentina ■ Brazil

Data excluding IAS 29 impact

# Summary of stores

**DíA**

	2017			2018		
<b>DIA GROUP <sup>1</sup></b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores at the beginning of the period	2.608	3.543	6.151	2.462	3.639	6.101
New openings	150	271	421	163	173	336
Owned to franchised net transfers	-105	105	0	20	-20	0
Closings	-191	-280	-471	-35	-245	-280
<b>Total DIA GROUP stores at the end of the period</b>	<b>2.462</b>	<b>3.639</b>	<b>6.101</b>	<b>2.610</b>	<b>3.547</b>	<b>6.157</b>
<b>SPAIN <sup>1</sup></b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores at the beginning of the period	1.630	2.040	3.670	1.473	2.024	3.497
New openings	20	53	73	34	28	62
Owned to franchised net transfers	-13	13	0	109	-109	0
Closings	-164	-82	-246	-13	-72	-85
<b>Total SPAIN stores at the end of the period</b>	<b>1.473</b>	<b>2.024</b>	<b>3.497</b>	<b>1.603</b>	<b>1.871</b>	<b>3.474</b>
<b>PORTUGAL <sup>1</sup></b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores at the beginning of the period	303	256	559	262	297	559
New openings	12	10	22	6	17	23
Owned to franchised net transfers	-38	38	0	-35	35	0
Closings	-15	-7	-22	-10	-40	-50
<b>Total PORTUGAL stores at the end of the period</b>	<b>262</b>	<b>297</b>	<b>559</b>	<b>223</b>	<b>309</b>	<b>532</b>
<b>ARGENTINA</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores at the beginning of the period	296	576	872	303	627	930
New openings	32	78	110	30	64	94
Owned to franchised net transfers	-16	16	0	-24	24	0
Closings	-9	-43	-52	-11	-34	-45
<b>Total ARGENTINA stores at the end of the period</b>	<b>303</b>	<b>627</b>	<b>930</b>	<b>298</b>	<b>681</b>	<b>979</b>
<b>BRAZIL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores at the beginning of the period	379	671	1.050	424	691	1.115
New openings	86	130	216	93	64	157
Owned to franchised net transfers	-38	38	0	-30	30	0
Closings	-3	-148	-151	-1	-99	-100
<b>Total BRAZIL stores at the end of the period</b>	<b>424</b>	<b>691</b>	<b>1.115</b>	<b>486</b>	<b>686</b>	<b>1.172</b>

1. By 2018 year-end the company also operated 1,200 Clarel and 35 Max Descuento stores in Spain and 71 Clarel in Portugal



# Other items

## Other cash items

EURm	2017	2018	Change
Expenses relating to store remodellings	18.0	18.6	0.6
Expenses relating to transfer of own stores to franchises	10.8	10.4	-0.4
Expenses relating to store closings	31.3	25.7	-5.6
Expenses relating to warehouse closings	1.7	1.1	-0.6
Expenses for efficiency projects and severance payments	20.2	34.6	14.4
<i>o/w HQ restructuring</i>	5.7	15.5	9.8
<i>o/w Warehouses restructuring</i>	2.7	4.9	2.3
<i>o/w Stores restructuring</i>	11.8	14.2	2.4
Other special expenses	1.7	28.4	26.7
<i>o/w Impact from transportation strike in Brazil</i>	0.0	7.9	7.9
<i>o/w Advisory fees</i>	0.0	18.2	18.2
<i>o/w Other projects</i>	1.7	2.3	0.6
Gains on disposal of assets	-31.2	-28.1	3.1
Expenses related to share-based payments transactions	-4.9	1.1	5.9
<b>Other cash items</b>	<b>47.5</b>	<b>91.9</b>	<b>44.3</b>

## Other non-cash items

EURm	2017	2018	Change
Write-off of fixed assets	-17.2	-25.4	-7.6
Impairment of fixed assets	-12.1	-79.9	-67.8
Impairment of DTA's	0.0	-170.5	-170.5
Impairment of discontinued operations	0.0	-38.0	-38.0
<b>Other non-cash items</b>	<b>-29.3</b>	<b>-313.8</b>	<b>-283.9</b>