



Ahold Delhaize  
**Capital  
Markets  
Day 2018**



Ahold  
Delhaize

# Financial Framework

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Chief Financial Officer

# Ahold Delhaize Financial Framework

Proven to deliver consistent and sustainable results

**Strong operational  
performance**

**Disciplined approach  
to capital investment**

**Best in class cash  
generation**

**Balanced capital  
allocation**

# Strong operational performance

## Strong operational performance

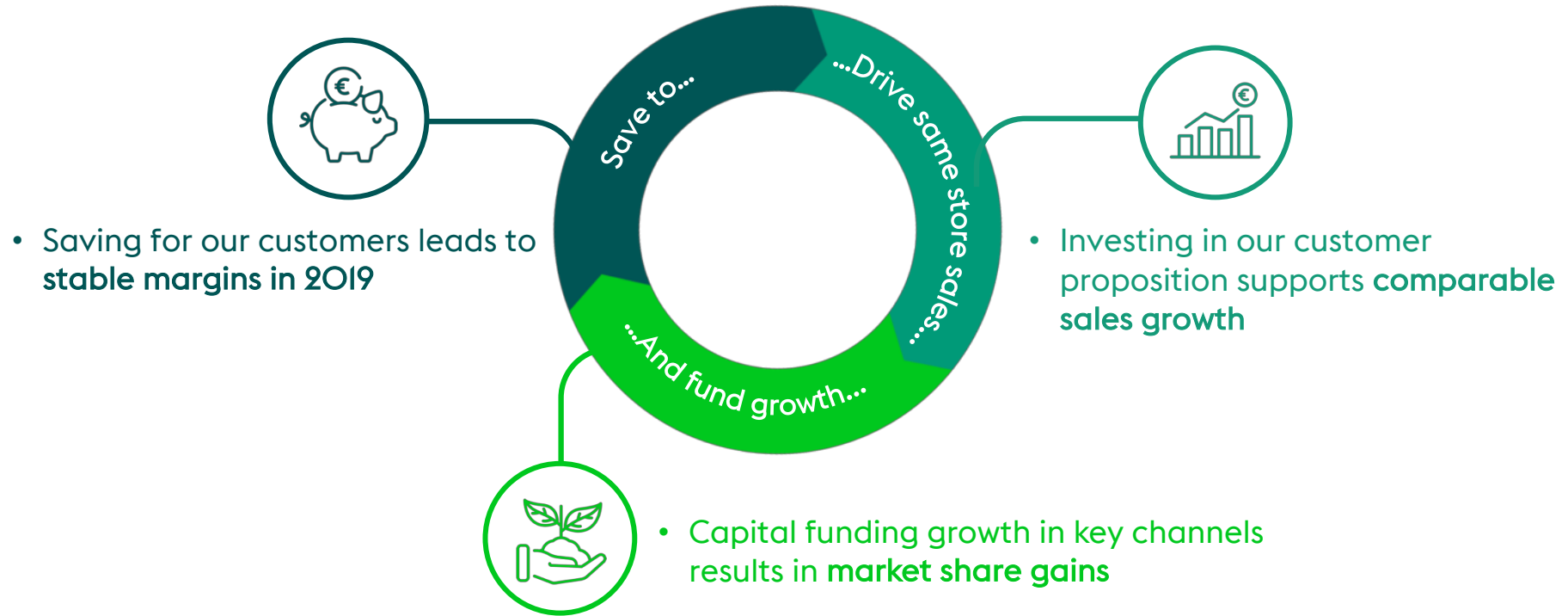
- Consistent and sustainable results
- Delivering on integration promises
- Saving for our customers is core to our culture

## Disciplined approach to capital investment

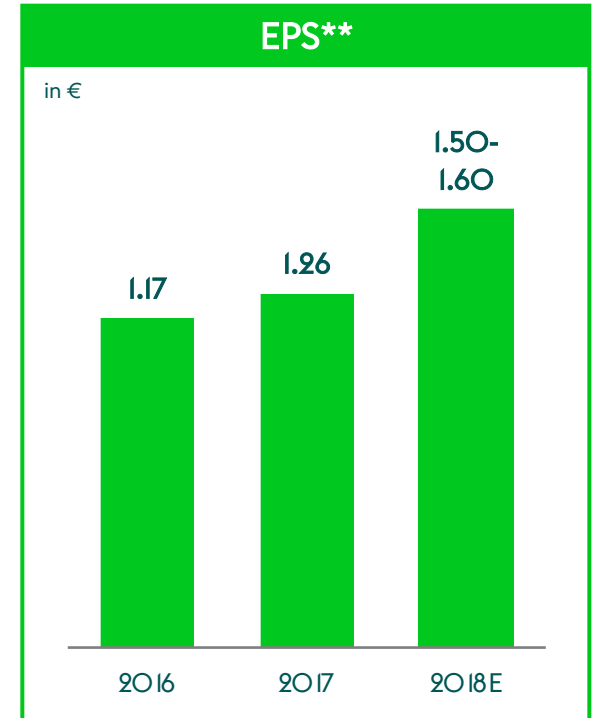
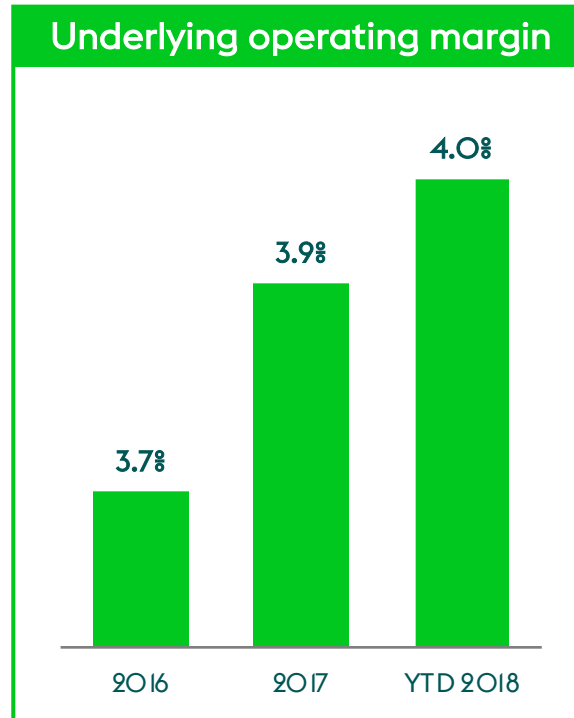
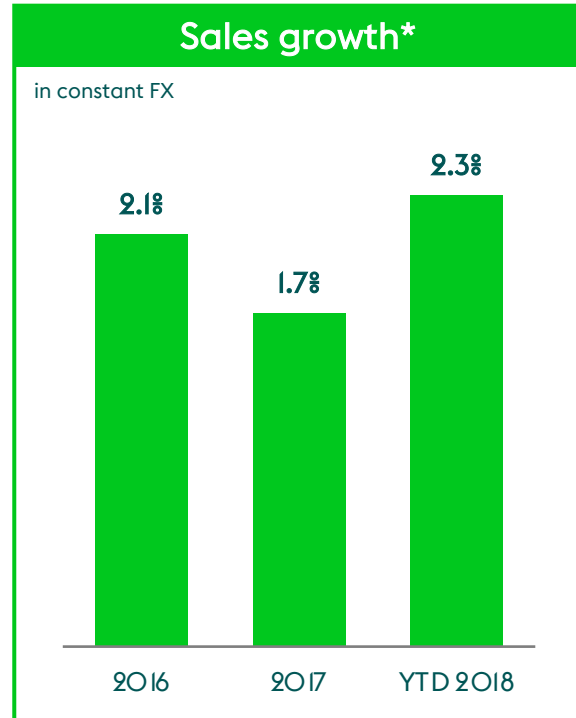
## Best in class cash generation

## Balanced capital allocation

# Our business model



# Delivering consistent and sustainable results



\*2016, 2017 pro forma sales growth

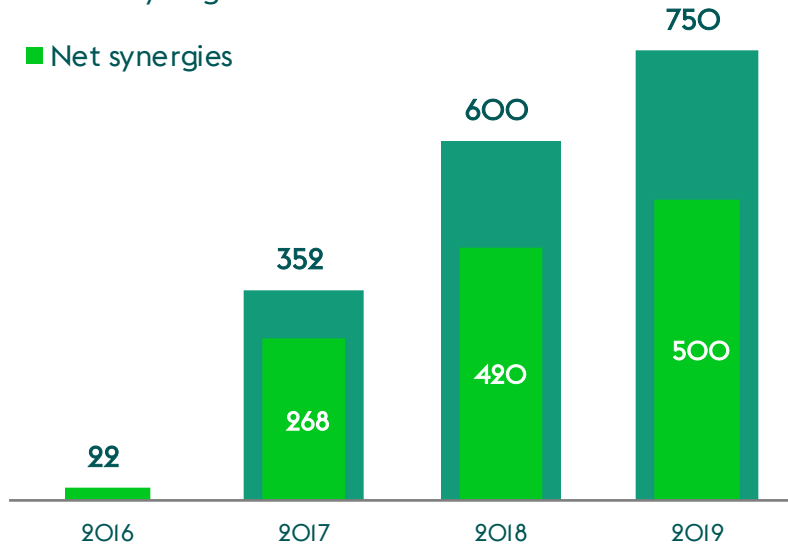
\*\*Guidance for 2018

# Delivering on integration promises

## Synergy delivery

in € million

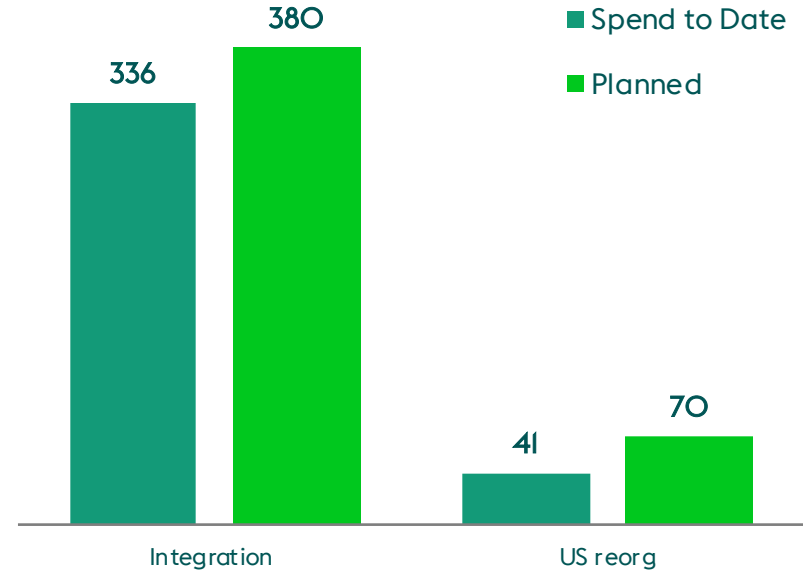
- Gross synergies
- Net synergies



## One time costs

in € million

- Spend to Date
- Planned



# Save for our Customers is in our DNA...





# With sufficient areas to still go after

€1.8 billion Save for Our Customers target for 2019 - 2021



## Key areas of focus

- Technology and automation
  - Store
  - Logistics
- Packaging engineering
  - Reduce plastic
  - Overall packaging specs
  - Logistics optimization
- G&A optimization
  - Use of RPA
  - Regional centres of excellence
- Fact based negotiation
  - Best practice roll out Europe
  - Data analytics / supplier support
  - Not for Resale



## Delivering on margin commitment while investing in

- eCommerce
- Digital & IT
- Stop & Shop repositioning
- Price / quality investments across all brands
- Store programs / DC expansions / Labor

# Disciplined approach to capital investment

**Strong operational  
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**Disciplined approach to  
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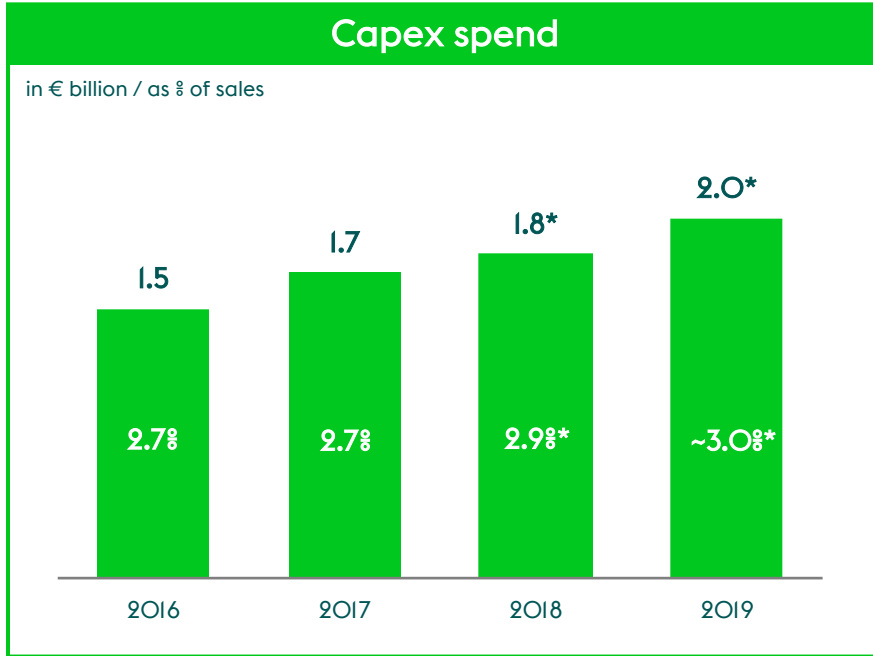
- Funding growth in key channels
- Maintaining a high return on capital

**Best in class cash  
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# Funding growth in key channels

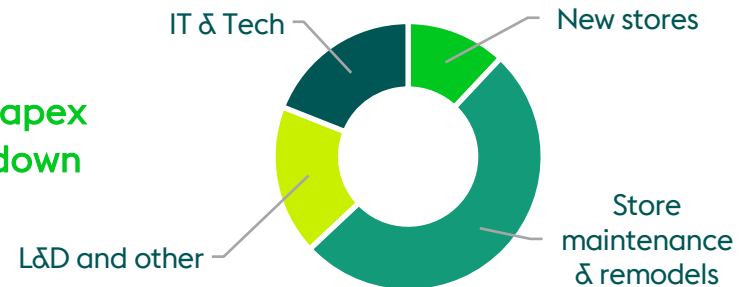
€2.0 billion\* Capex spend in 2019 to drive growth



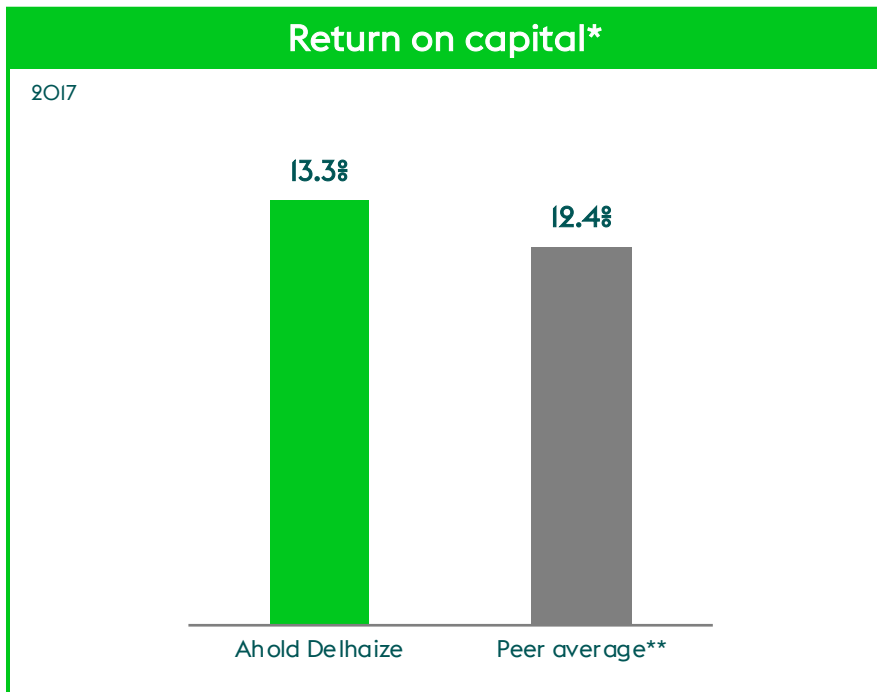
\* Guidance

- Incremental capital investment in Stop & Shop of \$100-150 million with total program costs of \$1.6-2.0 billion
- Incremental capital investment in eCommerce in Europe and the US of €200 million
- Ongoing Capex spend of ~3% of sales

## 2019 Capex Breakdown



# Return on capital remains a priority



- Clear return criteria for investment decisions
- Return on capital represents 40% of management's long-term incentive
- Return on capital among top quartile of the industry

\* ROC defined as:  $\text{EBITDAR} / (\text{PPE at purchase price} + \text{intangibles excl goodwill} + \text{working capital} + \text{capitalized operating leases})$

\*\* Peers: Walmart, Kroger, Costco, Carrefour, Tesco, Albertsons

# Best in class cash generation

**Strong operational  
performance**

**Disciplined approach  
to capital investment**

**Best in class cash  
generation**

- Overdelivery on working capital targets
- Continued focus on free cash flow

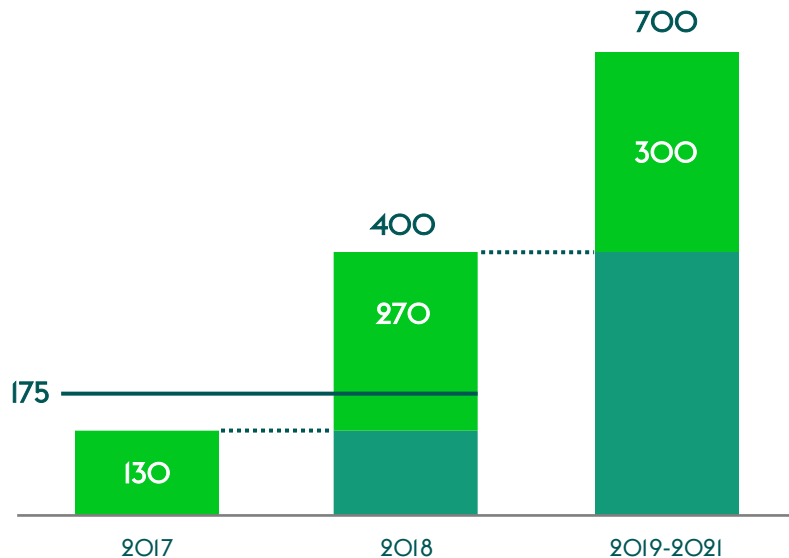
**Balanced capital  
allocation**

# Overdelivery on working capital targets

Further improvements in working capital of €300 million targeted in 2019-2021

## Cumulative change in working capital

in € million

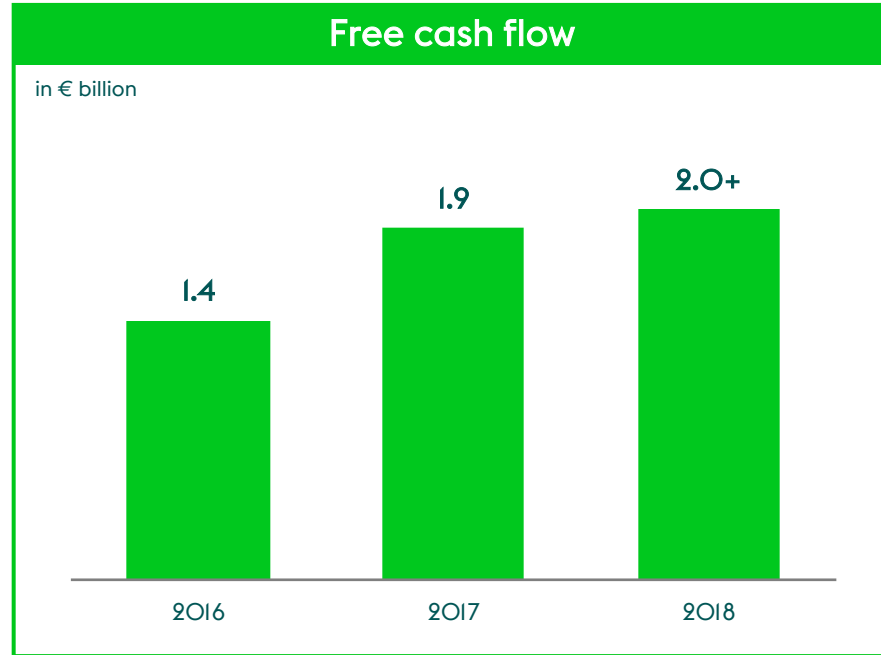


- Exceeding initial target of €175 million cumulative 2017 – 2018 with delivery of €400 million\* cumulative change in working capital in 2017 – 2018
- Continuous focus on all aspects of working capital improvement:
  - Harmonization of payables
  - Improving receivables collection
  - Optimizing inventories
    - Forecasting and replenishment
    - Data & analytics

\* Updated guidance

# Continuous focus on free cash flow

Free cash flow 2018 increase to at least €2.0 billion\*



- Free cash flow of ~2.0 billion per annum in 2019-2021 while sustaining ongoing spend of 3% of sales in Capex
- Free cash flow supported by operating cash flow and continuing improvements in working capital

\* Updated guidance

# Balanced capital allocation

**Strong operational  
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## **Balanced capital allocation**

- Maintain investment grade credit rating
- Invest in growth
- Returning excess liquidity to our shareholders



# Creating value for our shareholders

Funding growth in  
key channels



Invest in growth:  
inorganic and organic

Maintaining solid investment  
grade credit rating



Maintain lease adjusted  
Net Debt/EBITDA of 2.0x

Returning excess cash  
liquidity to shareholders



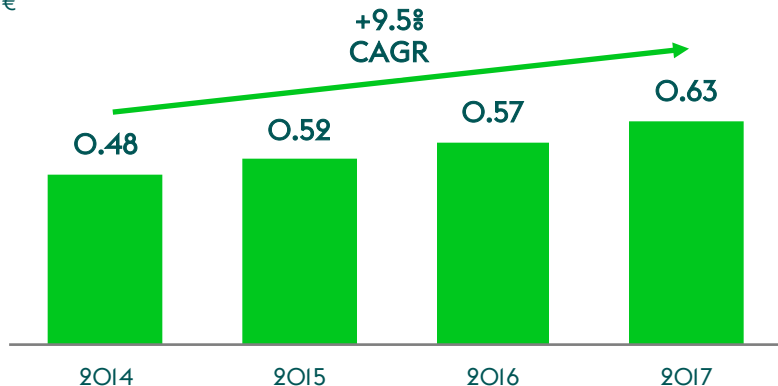
Return excess cash  
through share buy back  
program and dividends

# Returning excess liquidity to shareholders

Share buyback program of €1.0 billion to commence in January 2019

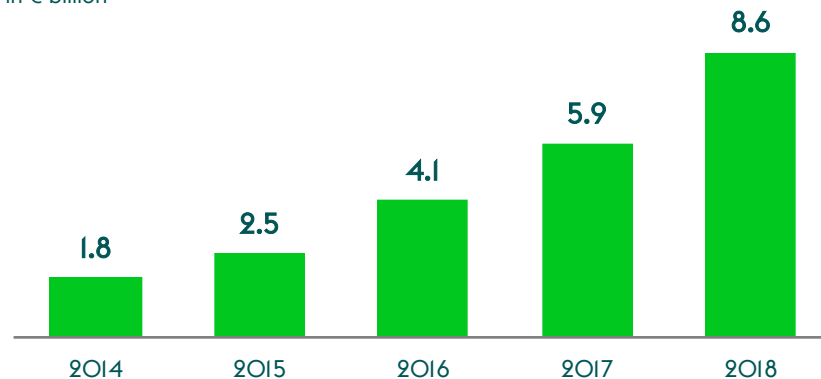
## Annual dividends\*

in €



## Cumulative share buybacks, dividends and capital returns\*\*

in € billion



- Dividend payout ratio 40-50% of underlying net income
- Bi-annual dividend to be introduced in 2019
- Sustainable growth of dividend per common share

\* Ahold standalone dividends 2014-2016, Ahold Delhaize 2017

\*\* Cumulative as of 2014. Includes Ahold and Delhaize dividends for the years 2014-2016

# Strong foundation and confidence in the future

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performance**

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# Smartly invest to drive growth at stable margins in 2019



## Save

- ✓ €0.6 billion in annual savings
- ✓ €80 million incremental net synergies



## Invest

- ✓ Significant opex to drive growth
- ✓ €2.0 billion in capex
- ✓ ~€300 million incremental for S&S, digital and e-Commerce



## Drive growth

- ✓ Comparable sales growth
- ✓ Market share gains
- ✓ Stable group margin
- ✓ HSD EPS growth



## Generate Cash

- ✓ ~€2.0 billion in FCF
- ✓ €1.0 billion share buyback

# Long-term cost savings, investments and FCF growth



Save for our  
customers  
2019 - 2021  
**€1.8 billion**



Capital  
expenditure  
**~3%**  
of sales



Free Cash Flow  
**~€2.0 billion**  
per annum  
2019 - 2021



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