

# Iceland

**FISCAL YEAR 2016 AUDITED RESULTS  
52 WEEKS ENDED 25 MARCH 2016**

**ICELAND TOPCO LTD  
CONSOLIDATED ACCOUNTS**

**10 JUNE 2016**



**Iceland**

# Key Highlights

## The Market

- The IGD recorded like for like sales growth for the market of **(1.4%)** for the 52 weeks ending 26 March 2016
- Food prices fell by **(2.7%)** in the year to March 2016 (ONS: Consumer Price Inflation March 2016)
- Tesco, Asda and Morrisons have a declining market share (Kantar: 12 weeks ending 27 March 16)
- Discounters continue to show double digit total sales growth

# Key Highlights

## Iceland

### Full year results based on the audited financial statements for the year ended 25 March 2016

- Turnover down **(0.9%)** year on year in the fourth quarter with full year turnover down **(0.8%)**
- Fourth quarter LFL % of **(2.5%)**, a **0.6%** improvement on the third quarter performance **(3.1%)**
- Full Year LFL % of **(2.7%)**, a **1.7%** improvement year on year
- The Group opened a net **9** new stores in the year taking the Group estate to **881** (864 UK stores including 12 Food Warehouse)
- FY16 Q4 Gross Profit stepped up to **10.6%**, up **0.2%** year on year due to an improvement in underlying margin
- Full Year Gross Profit % of **7.8%**, up **0.3%** year on year driven by an improvement in underlying margin and cost efficiencies, partially offset by marketing spend

# Key Highlights

## Iceland (cont'd)

- Fourth quarter Group EBITDA of **£43.6m**, **£1.4m** up on last year.  
Full Year EBITDA of **£150.5m**, **£0.3m** up year on year
- Fourth quarter Group EBITDA % of Turnover was **7.1%**, **0.3%** up on last year.  
Full Year EBITDA % of Turnover of **5.6%**, **in line** year on year
- Full year Cash from operations of **£148.8m** resulting in an EBITDA % conversion of **98.9%\***
- Net Debt at the end of the year of **(£731.1m)**, down **£13.9m** year on year
- Resulting Leverage ratio of **4.9x**, an improvement of **0.1x** on last year

\*Cash flow conversion %: Net Cash flow from operations divided by Group EBITDA

# Fourth Quarter Results versus Third Quarter Outlook

- **Current trading:** Like for like sales improved on FY16 quarter 3 performance
- Net 1 store will close in FY16 quarter 4
- Power of Frozen and Innovation will continue with more focus on Products and Price
- Increased focus on seasonal \ event promotional activity
- **January:** “More ways to eat well” campaign \ Slimming World
- Cash on the balance sheet of **£180.5m** at the 1st January 2016
- Full Year P&L considerations:
  - Exceptionals
  - EBITDA in line with our expectations
- Full Year Cash Flow considerations:
  - No benefit expected from working capital in FY16
  - Capital expenditure in line with our expectations
  - Year on year Leverage will remain broadly flat



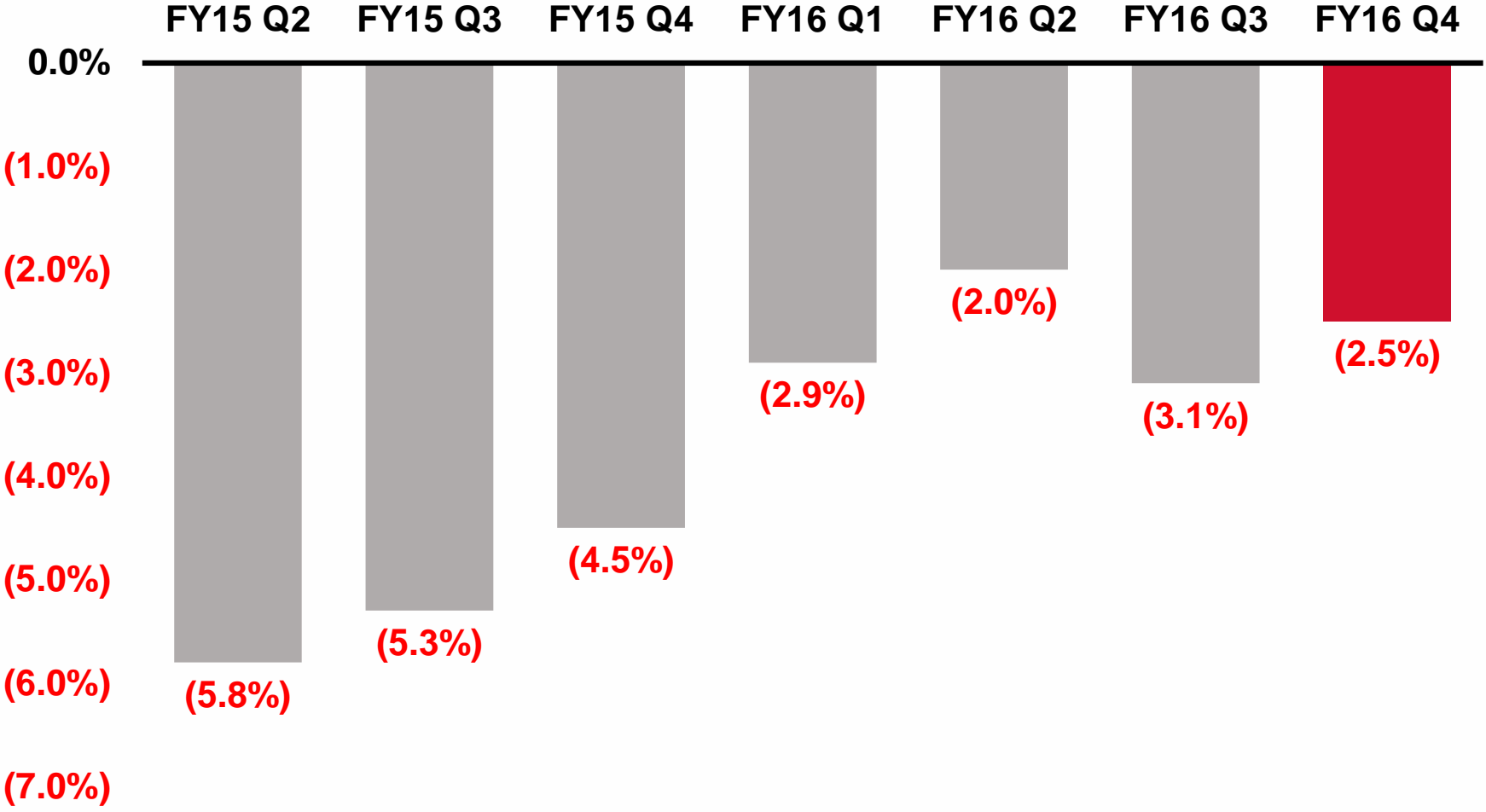
# Fourth Quarter Sales Performance (£m)

	FY16 Q4	FY15 Q4	Var	Var%
Base Estate (LFL)	593.5	608.4	(14.9)	(2.5%)
New Stores	13.6	6.5	7.1	1.2%
Other Group Co's	5.5	3.2	2.3	0.4%
<b>Turnover</b>	<b>612.6</b>	<b>618.1</b>	<b>(5.5)</b>	<b>(0.9%)</b>

# Full Year Sales Performance (£m)

	FY16	FY15	Var	Var%
Base Estate (LFL)	2,582.4	2,653.1	(70.7)	(2.7%)
New Stores	74.4	28.0	46.4	1.7%
Other Group Co's	17.9	15.6	2.3	0.1%
<b>Turnover</b>	<b>2,674.7</b>	<b>2,696.6</b>	<b>(22.0)</b>	<b>(0.8%)</b>

# Like for Like Sales by Quarter





# Fourth Quarter Profit & Loss (£m)

	FY16 Q4	FY15 Q4 Restated	Var
Group Turnover	612.6	618.1	(5.5)
Cost of Sales	(547.2)	(553.9)	6.7
<b>Gross Profit</b>	<b>65.4</b>	<b>64.2</b>	<b>1.2</b>
Gross Profit % of Turnover	10.6%	10.4%	0.2%
Admin Expenses	(27.4)	(26.7)	(0.7)
<b>Operating Profit (Pre goodwill &amp; Exceptionals)</b>	<b>38.0</b>	<b>37.5</b>	<b>0.5</b>
Net Interest	(15.4)	(57.4)	42.0
<b>Profit before tax (Pre goodwill &amp; Exceptionals)</b>	<b>22.6</b>	<b>(19.9)</b>	<b>42.5</b>
Exceptional Cost	(9.0)	53.8	(62.8)
Goodwill Amortisation	(17.3)	(17.3)	0.0
Tax	(3.8)	(6.2)	2.4
<b>Loss for the period</b>	<b>(7.5)</b>	<b>10.3</b>	<b>(17.8)</b>
<b>EBITDA</b>	<b>43.6</b>	<b>42.2</b>	<b>1.4</b>
EBITDA % of Turnover	7.1%	6.8%	0.3%

- Gross profit margin up 0.2% year on year (£1.2m in cash terms). This was primarily driven by an improvement in underlying gross margin
- Admin Expenses (£0.7m) adverse year on year due to investment in central costs to support the varying initiatives across the business
- Net interest includes underlying charge of (£12.1m), fee amortisation (£4.8m) and finance lease interest (£0.1m), partially offset by Bond buyback discount (£1.3m) and Interest income (£0.2m)
- FY15 Quarter 4 Net interest not comparable year on year as reflects the impact of FRS 102 (£42.3m)
- FY16 Exceptional costs relate to Business restructuring
- FY15 Quarter 4 Exceptional cost not comparable year on year as reflects the impact of FRS 102 (£53.8m)
- Tax charge in the quarter reflects full year calculation
- Resulting EBITDA for the fourth quarter of £43.6m was 7.1% of Turnover, up 0.3% year on year. The year on year increase in EBITDA % was primarily driven by the increased gross margin

FY15 and FY16 Quarter 4 numbers include the full impact of FRS 102 adjustments

# Full Year Profit & Loss (£m)

	FY16	FY15 Restated	Var
Group Turnover	2,674.7	2,696.6	(22.0)
Cost of Sales	(2,464.1)	(2,495.0)	30.9
<b>Gross Profit</b>	<b>210.6</b>	<b>201.6</b>	<b>9.0</b>
Gross Profit % of Turnover	7.8%	7.5%	0.3%
Admin Expenses	(96.2)	(89.8)	(6.4)
<b>Operating Profit (Pre goodwill &amp; Exceptionals)</b>	<b>114.4</b>	<b>111.8</b>	<b>2.6</b>
Net Interest	(52.8)	(79.7)	26.9
<b>Profit before tax (Pre goodwill &amp; Exceptionals)</b>	<b>61.6</b>	<b>32.1</b>	<b>29.5</b>
Exceptional Cost	(9.0)	(5.2)	(3.8)
Goodwill Amortisation	(75.1)	(75.1)	0.0
Tax	(12.4)	(5.9)	(6.5)
<b>Loss for the period</b>	<b>(34.9)</b>	<b>(54.1)</b>	<b>19.2</b>
<b>EBITDA</b>	<b>150.5</b>	<b>150.2</b>	<b>0.3</b>
EBITDA % of Turnover	5.6%	5.6%	0.0%

- Gross profit margin up 0.3% year on year (£9.0m in cash terms). This was primarily driven by the improvement in underlying gross margin and cost efficiencies, partially offset by marketing spend
- Admin Expenses (£6.4m) adverse year on year due to investment in central costs to support the varying initiatives across the business
- Net interest includes underlying charge of (£52.7m), fee amortisation (£4.8m) and finance lease interest (£0.2m), partially offset by Bond buyback discount (£3.1m) and Interest income (£1.8m)
- FY15 Net interest not comparable year on year as reflects the impact of FRS 102 (£42.3m) and items specific to that year
- FY15 and FY16 Exceptional costs in the quarter relate to Business restructuring
- Tax charge up year on year primarily driven by prior year comparable including a tax credit in relation to the exceptionals
- Resulting full year EBITDA of £150.5m was 5.6% of Turnover, in line with the prior year in both margin and cash terms

# Fourth Quarter Cash Flow (£m)

	FY16 Q4	FY15 Q4	Var
<b>Group EBITDA</b>	<b>43.6</b>	<b>42.2</b>	<b>1.4</b>
Movement in Working Capital	(32.3)	(4.7)	(27.6)
<b>Net Cashflow from operations</b>	<b>11.3</b>	<b>37.5</b>	<b>(26.2)</b>
Net Capital Expenditure	(13.4)	(10.1)	(3.3)
<b>Free Cashflow</b>	<b>(2.1)</b>	<b>27.4</b>	<b>(29.5)</b>
Taxation	(4.0)	(5.1)	1.1
Net Interest	(2.6)	(1.8)	(0.8)
Refinancing Fees	0.0	(0.9)	0.9
<b>Net Cashflow before Financing</b>	<b>(8.7)</b>	<b>19.6</b>	<b>(28.3)</b>
Financing	(6.9)	(8.6)	1.7
<b>Cash (Out) \ inflow</b>	<b>(15.6)</b>	<b>11.0</b>	<b>(26.6)</b>
<b>Free Cashflow conversion %</b>	<b>(5%)</b>	<b>65%</b>	

\*Free cashflow conversion %: Free cashflow divided by Group EBITDA

- Fourth quarter movement in working capital of (£32.3m), down (£27.6m) year on year driven by timing of supplier payments
- Year on year increase in capital expenditure in the quarter reflects underlying additional spend
- Quarter 4 Taxation includes an underlying payment on account
- Fourth quarter Net Interest includes underlying interest payable on Bonds offset by interest income
- FY15 Quarter 4 Refinancing Fees relate to the Bond refinance
- Quarter 4 Financing includes the proceeds from new finance leases partially offset by a Bond buyback and lease capital repayments
- FY15 Quarter 4 financing primarily relates to a Bond buyback

# Full Year Cash Flow (£m)

	FY16	FY15	Var
<b>Group EBITDA</b>	<b>150.5</b>	<b>150.2</b>	<b>0.3</b>
Movement in Working Capital	(1.7)	39.1	(40.8)
<b>Net Cashflow from operations</b>	<b>148.8</b>	<b>189.3</b>	<b>(40.5)</b>
Net Capital Expenditure	(62.1)	(28.7)	(33.4)
<b>Free Cashflow</b>	<b>86.7</b>	<b>160.6</b>	<b>(73.9)</b>
Taxation	(21.4)	(19.3)	(2.1)
Net Interest	(48.6)	(28.3)	(20.3)
Refinancing Fees	0.0	(11.9)	11.9
<b>Net Cashflow before Financing</b>	<b>16.7</b>	<b>101.1</b>	<b>(84.4)</b>
Financing	(15.4)	(89.6)	74.2
<b>Cash Inflow</b>	<b>1.3</b>	<b>11.5</b>	<b>(10.2)</b>
<b>Free Cashflow conversion %</b>	<b>58%</b>	<b>107%</b>	

\*Free cashflow conversion %: Free cashflow divided by Group EBITDA

- Full year movement in working capital of (£1.7m), down (£40.8m) year on year primarily driven by FY15 comparable including significant benefit on supplier payments
- Year on year increase in net capital expenditure is driven by store refits and the commitment to specific projects, partially offset by a lower number of new stores
- FY16 projects include a new EPOS system, expansion of the Iceland Manufacturing facility in Manchester and energy efficient equipment
- Net Interest year to date includes underlying interest payable on Bonds offset by discount on Bond Buy Backs and interest income. The year on year increase in net interest (£20.3m) is driven by the timing of interest payments and the net impact of Bond buyback discounts
- FY15 Refinancing Fees include the Bond refinance and loan covenant reset
- Year to date Financing includes Bond buybacks partially offset by the net impact of new finance leases
- FY15 Financing relates to the Bond refinance and Bond buybacks

# Net Debt (£m)

	FY16	FY15	Var
Cash at Bank and in hand	164.9	163.6	1.3
Debt	(885.6)	(907.8)	22.2
Finance leases	(10.4)	(0.8)	(9.6)
<b>Net Debt</b>	<b>(731.1)</b>	<b>(745.0)</b>	<b>13.9</b>
Net Leverage	4.9x	5.0x	0.1x

# Bond Buybacks (Company and related parties)

Quarter	Date	Tranche	Value (£m)
FY16 Q1	Jun '15	FRN	10.0
FY16 Q1	Jun '15	SSN 7 Yr 6.25%	5.0
FY16 Q4	Feb '16	SSN 7 Yr 6.25%	10.0
<b>Gross value</b>			<b>25.0</b>

In addition, the MC Walker 2008 Trust purchased £550k nominal value of the SSN 7 Yr 6.25% in FY16 Q4

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# Outlook

- **Current trading:** Like for like sales to date broadly in line with FY16 quarter 4 performance
- Net 4 stores will open in FY17 quarter 1 (4 Food Warehouse, 2 Iceland, (2) Iceland closures)
- Power of Frozen and Innovation will continue...
- Increased Trading initiatives
- Launch of new TV adverts
- Cash on the balance sheet of **£164.9m** at the 25th March 2016
- Full year cash flow considerations:
  - Capital expenditure broadly in line year on year as one off projects are completed and an increase in new store openings