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#PowerofFrozen

FISCAL YEAR 2017 INTERIM RESULTS
FOR 12 WEEKS ENDED 17 JUNE '16

27 JULY 2016



Agenda

- Key Highlights
- Financial Review
- Outlook
- Q&A

Presenter: Tarsem Dhaliwal (CFO)

First quarter: 12 weeks ending 17 June 2016

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Key Highlights

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Key Highlights

The Market

- The UK Retail market remains very challenging. Based on the latest Kantar data (12 weeks ending 19 June), the grocery market declined **(0.2%)**, with food deflation at **(1.4%)**.

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- Turnover down **(0.6%)** year on year in the first quarter.
- First quarter LFL % of **(2.4%)**, a slight improvement from the previous quarter **(2.5%)** and the previous full year **(2.7%)**.
- The Group opened **6** new stores in the quarter. After taking into account 2 store closures, the Group estate stands at **885** (868 UK Stores including **16** Food Warehouse stores).
- First quarter Group EBITDA of **£25.8m**, **(£2.0m)** down on last year.
- First quarter Group EBITDA % of Turnover was **4.3%**, **(0.3%)** down on last year.
- Strong cash generation from operations in the first quarter of **£71.0m** (up **£22.0m** year on year) some of which is timing related and will unwind before the year end.
- Net Debt at the end of the quarter of **(£696.5m)** and Leverage ratio of **4.7x**.

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First quarter results versus Fourth quarter 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 we continue with our store opening plan



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Financial Review

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First Quarter Sales Performance

| | FY17 Q1 | FY16 Q1 | Var | Var% |
|------------------------|--------------|--------------|--------------|---------------|
| Base Estate (LFL) | 581.1 | 595.1 | (14.0) | (2.4%) |
| FY16 & FY17 New Stores | 18.7 | 9.6 | 9.1 | 1.6% |
| Other Group Co's | 4.8 | 3.7 | 1.1 | 0.2% |
| Turnover | 604.7 | 608.5 | (3.8) | (0.6%) |

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First Quarter Profit and Loss

| | FY17 Q1 | FY16 Q1 | Var |
|------------------------------------------------------------|---------------|---------------|--------------|
| Group Turnover | 604.7 | 608.5 | (3.8) |
| Cost of Sales | (565.9) | (570.4) | (4.5) |
| Gross Profit | 38.8 | 38.1 | 0.7 |
| Gross Profit % of Turnover | 6.4% | 6.3% | 0.1% |
| Admin Expenses | (21.2) | (18.5) | (2.7) |
| Operating Profit (Pre goodwill & Exceptionals) | 17.6 | 19.6 | (2.0) |
| Net Interest | (12.8) | (11.1) | (1.7) |
| Profit before tax (Pre goodwill & Exceptionals) | 4.8 | 8.5 | (3.7) |
| Exceptional Cost | 0.0 | 0.0 | 0.0 |
| Goodwill Amortisation | (17.3) | (17.3) | 0.0 |
| Tax | (1.2) | (2.0) | 0.8 |
| (Loss) \ Profit for the period | (13.7) | (10.8) | (2.9) |
| EBITDA | 25.8 | 27.8 | (2.0) |
| EBITDA % of Turnover | 4.3% | 4.6% | (0.3%) |

- Gross profit margin up 0.1% year on year (up **£0.7m** in cash terms). This was primarily driven by an improvement in underlying gross margin
- Admin Expenses **(£2.7m)** adverse year on year primarily driven by the timing of marketing spend and investment in central costs to support varying initiatives across the business
- Net interest includes underlying charge of **(£13.2m)** partially offset by interest income (£0.4m)
- The year on year increase in net interest **(£1.7m)** is driven by the FY16 comparable including a Bond buyback discount received
- Tax charge down year on year driven by underlying profitability
- Resulting EBITDA for the first quarter of £25.8m was 4.3% of Turnover, down **(0.3%)** year on year.

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First Quarter Cash Flow

| | FY17 Q1 | FY16 Q1 | Var |
|--------------------------------------|-------------|-------------|--------------|
| Group EBITDA | 25.8 | 27.8 | (2.0) |
| Movement in Working Capital | 45.2 | 21.2 | 24.0 |
| Net Cashflow from operations | 71.0 | 49.0 | 22.0 |
| Net Capital Expenditure | (10.0) | (5.6) | (4.4) |
| Free Cashflow | 61.0 | 43.4 | 17.6 |
| Taxation | (3.4) | (5.3) | 1.9 |
| Net Interest | (21.8) | (20.4) | (1.4) |
| Refinancing Fees | 0.0 | 0.0 | 0.0 |
| Net Cashflow before Financing | 35.8 | 17.7 | 18.1 |
| Financing | 0.6 | (15.1) | 15.7 |
| Cash Inflow | 36.4 | 2.6 | 33.8 |

- Positive Q1 movement in working capital of £45.2m (up £24.0m year on year), some of which will unwind by year end
- Year on year increase in net capital expenditure driven by underlying higher number of new stores than FY16 and investment in projects specific to FY17
- Year on year reduction in Taxation driven by timing of tax payments
- First quarter increase in net interest is due to the comparable including a Bond buyback discount received
- Year on year reduction in Financing relates to the FY16 comparable including a Bond buyback

| | | |
|-----------------------------------|-------------|-------------|
| Free Cashflow conversion % | 236% | 156% |
|-----------------------------------|-------------|-------------|

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

Net Debt

| | FY17 Q1 | FY16 Q4 | Var |
|--------------------------|----------------|----------------|-------------|
| Cash at Bank and in hand | 201.3 | 164.9 | 36.4 |
| Debt | (886.7) | (885.6) | (1.1) |
| Finance leases | (11.1) | (10.4) | (0.7) |
| Net Debt | (696.5) | (731.1) | 34.6 |
| | | | |
| Net Leverage | 4.7x | 4.9x | 0.2x |

*Leverage calculations based on rolling 12 month EBITDA

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FY17 Bond Buy Backs (Company and related parties)

The company completed no bond buybacks during FY17 Quarter 1.

MC Walker purchased £1.1m nominal value of the SSN 10 Year 6.75% in FY17 Quarter 1.

We and our affiliated entities, including Directors and Shareholders of Iceland Topco Limited and their affiliated entities and their employees and officers, and agents acting on our or their behalf, may retain, purchase or sell for our own account any of our outstanding publicly traded Notes, and may subsequently re-offer or re-sell any such Notes purchased. We do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation we may have to do so.

Outlook

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Outlook

- **Current trading:** Like for like sales continue to improve
- 6 net new stores will open in FY17 quarter 2 (4 Food Warehouse, 1 Iceland, (2) Iceland closures, 2 Ireland)
- Our strategy focusing on frozen innovation continues, with a trading platform that supports offering our customers great quality with outstanding value
- All initiatives talked about at year end are moving forward
- Cash on the balance sheet of **£201.3m** at the 17th June 2016
- Full Year Cash Flow considerations:
 - Favourable working capital movement in quarter 1 will partially unwind by year end
- We will monitor any impact of Brexit, although our exposure to suppliers based in other EU countries is relatively low

Bond buybacks post quarter-end

- The company has completed bond buybacks of £9.0m during FY17 Quarter 2 to date (SSN 7 Year 6.25%)
- Affiliates to the company (MC Walker Family and TS Dhaliwal) have purchased £1.4m nominal value of the SSN 10 Year 6.75% in FY17 Quarter 2 to date.

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Q&A

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