

**METRO**

**PRESENTATION  
BAADER INVESTMENT  
CONFERENCE**

Munich  
18 September 2017

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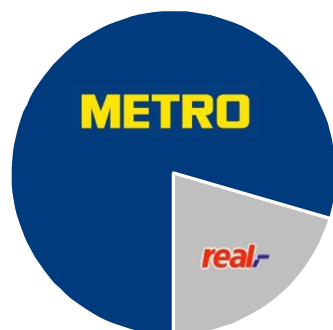
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# A STRONG INTERNATIONAL WHOLESALE GROUP (B2B)

## By operating segment

Wholesale (warehouse & foodservice)

(B2B<sup>1</sup>)  
80%

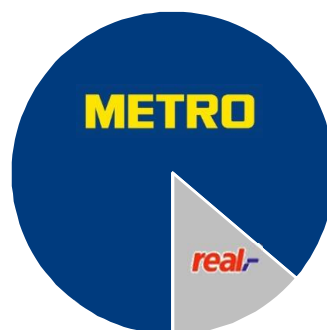


Food retail  
(B2C<sup>2</sup>)  
20%

**FY '15/16 sales: €37bn**

Wholesale (warehouse & foodservice)

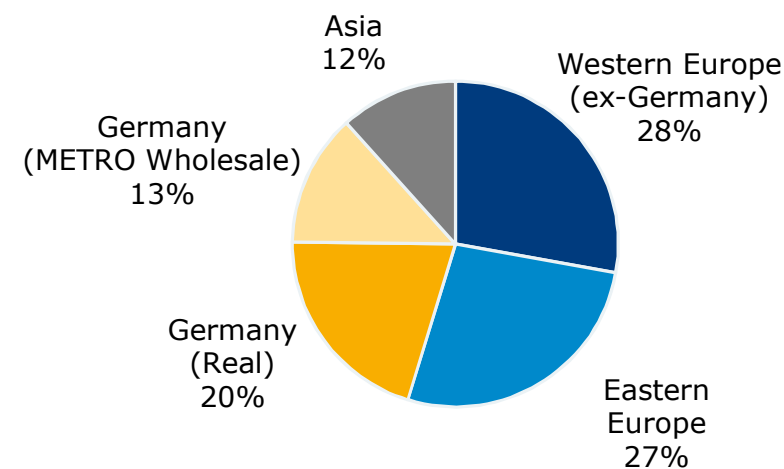
(B2B<sup>1</sup>)  
86%



Food retail  
(B2C<sup>2</sup>)  
14%

**FY '15/16 EBITDA<sup>3</sup>: €1.8bn**  
% margin: 4.9%

## By geography



**FY '15/16 sales: €37bn**

Source: Company information, MWFS Group combined financial statements (the "METRO WFS combined financial statements"); Wholesale & foodservice includes METRO Cash & Carry (in the future METRO Wholesale), Other and Consolidation; food retail includes Real; <sup>1</sup> Business-to-business: professional customers; <sup>2</sup> Business-to-consumers: individual retail customers; <sup>3</sup> EBITDA before special items defined as earnings before the deduction of interest, taxes, depreciation, amortisation, impairment losses, reversals of impairment, losses on property, plant and equipment, intangible assets and investment properties

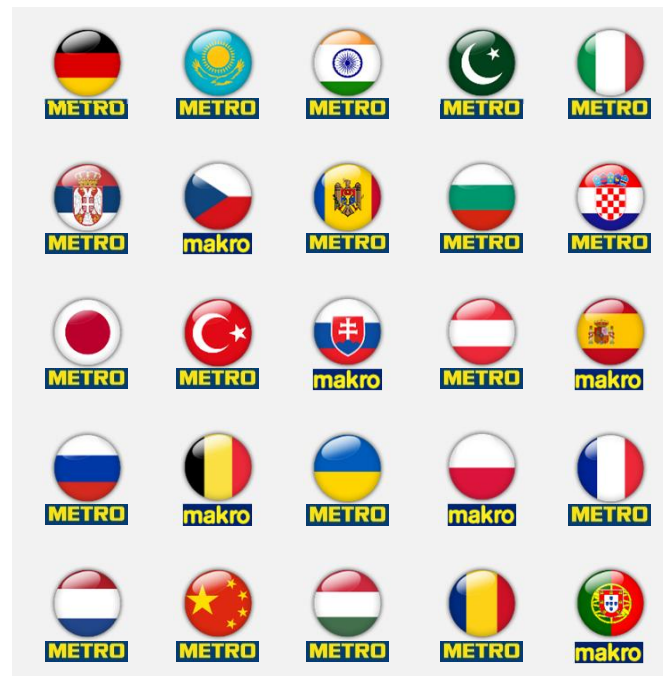
# FULLY FOCUSED ON CUSTOMER VALUE AND COMPLETELY LOCALISED

## Customer centricity as core of our strategy



## Fully empowered group of B2B companies

### Wholesale



### FSD



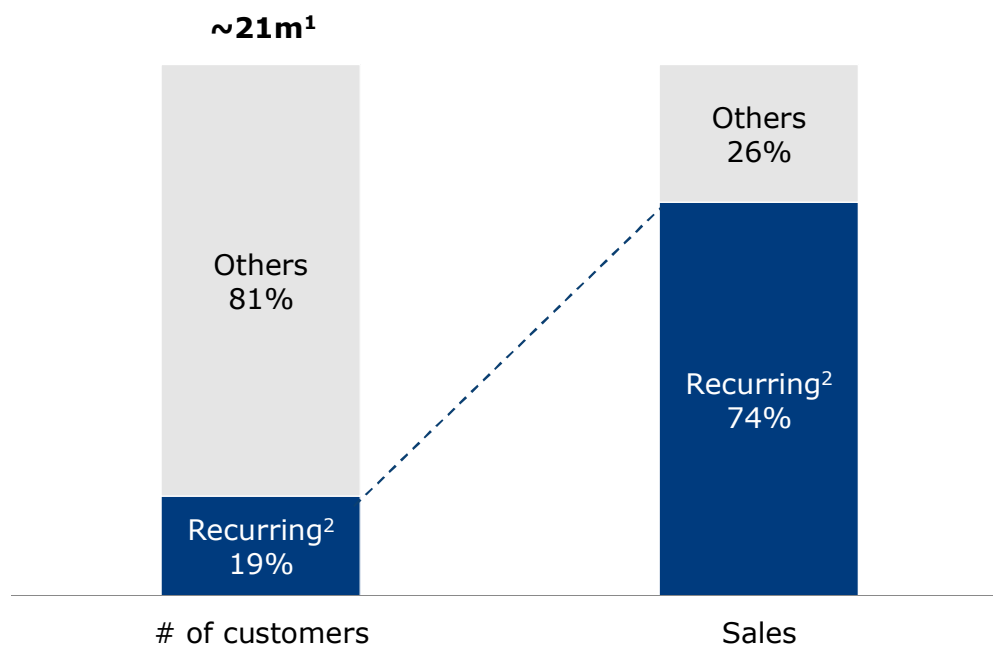
Source: Company information

# BUILT ON STRONG RELATIONSHIPS AND RECURRING REVENUES

## Strong proximity to our customers



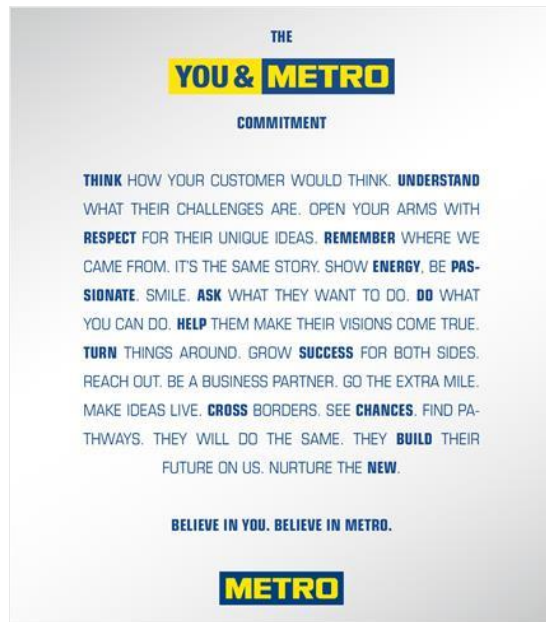
## High sales share from recurring customers<sup>2</sup>



Source: Company information; Note: data for FY '15/16 for METRO Wholesale based on like-for-like ("LFL"); Data based on internal management system, so-called METRO WFS data warehouse, prepared using self-reporting customer classification; Sales are statistical, excluding non strategic categories (e.g. tobacco, petrol, empties), acquired companies (CFF, Rungis, Midban) and country divestments; consequently, deviations from financial information as reported in the METRO WFS combined financial statements may occur; See page 19 for LFL definition. <sup>1</sup> Customers are considered "buying" customers if they at least bought once at METRO Wholesale in the last 12 months; <sup>2</sup> Recurring customers are defined as # of HoReCa and Trader customers visiting  $\geq 26$  times and # of SCOs visiting  $\geq 12$  times over a 12-month period

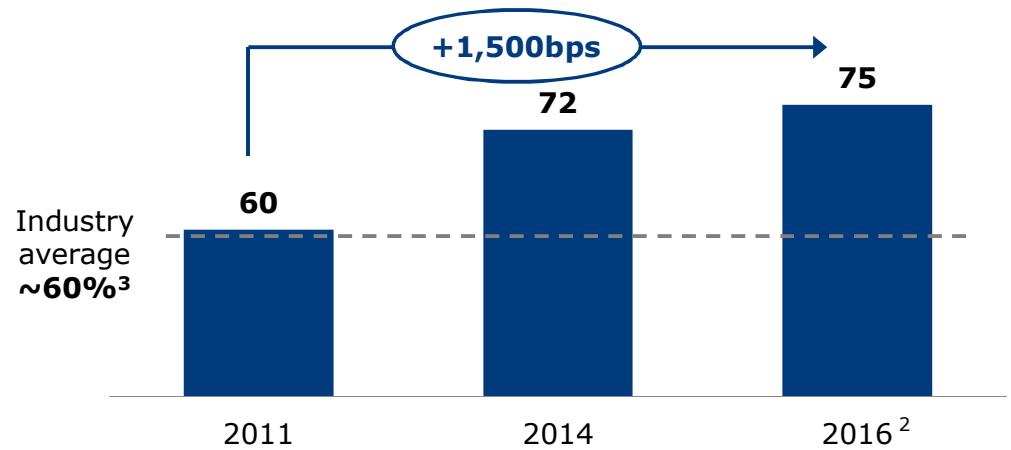
# WELL FOUNDED ON HIGHLY ENGAGED TEAMS

## Strong focus on company culture



## Steady progress in employee engagement<sup>1</sup>

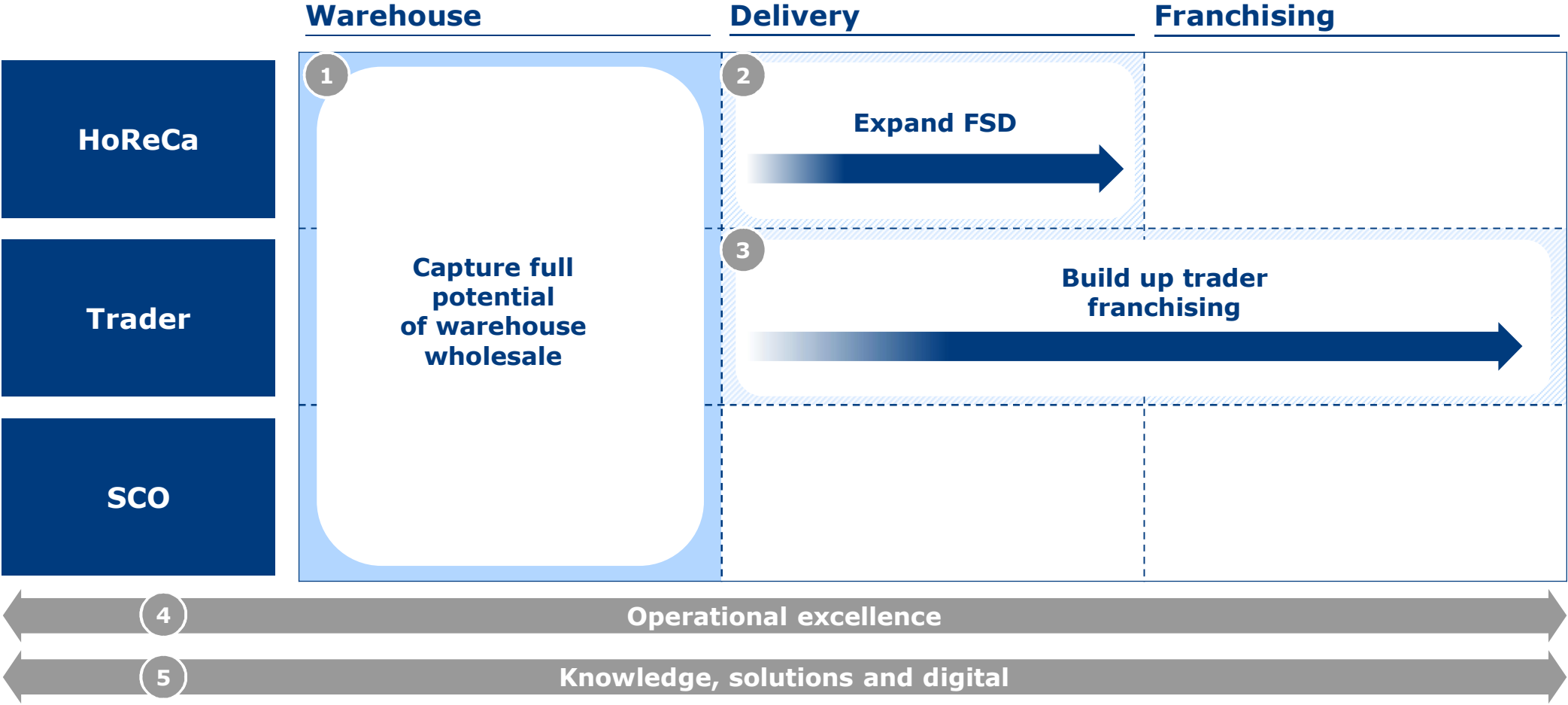
Employee engagement survey (%)



Source: Company information, METRO WFS internal survey based on Aon Hewitt methodology

<sup>1</sup> Employee engagement based on Aon Hewitt methodology defined as % of total employee obtaining an average response score >4.5 when responding to the three following questions on a scale from 1 to 6: i) "I gladly tell others great things about working here", ii) "It would take a lot to make me leave this company" and iii) "My company inspires to do my best every day at work"; <sup>2</sup> Survey conducted by the company between May 11, 2016 and May 27, 2016; <sup>3</sup> Global retail benchmark as of 2016 based on Aon Hewitt methodology

# WE ARE BUILDING OUR STRATEGY ON FIVE VALUE LEVERS



Source: Company information

# ADJUSTING THE BUSINESS MODEL TO CUSTOMER NEEDS - SPACE



## A store which is easy to navigate

### Cut space if required...

- ~10% sqm reduction in last 5 years (Trader ~-20%)
- Typical store size 6,500-8,500 sqm/store

### ... even in emerging markets

- China ~-17% average store size
- Russia ~-8% average store size
- At the same time, +34 stores in China and +27 stores Russia

### Open even smaller stores

- Alès (France), 1,250sqm, ~7k SKUs, ultra-fresh focus



Focus on ultra-fresh



Self-scanning system



Condensed non-food area



Heavy-weights ordering



# ADJUSTING THE BUSINESS MODEL TO CUSTOMER NEEDS - ASSORTMENT

## An assortment which makes an impression

### Decreasing non-food sales share

- 13% in 9M FY 2016/17, -1.4%-points vs. PY

### Assortment management (e.g. France)

- ~5k SKUs delisted and replaced with ~2k HoReCa SKUs
- Frequency and basket growth

### Continuous redefining of own brands

- ~85% buying customers buy own brands
- ~92% HoReCa customers buy own brands



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# FURTHER DYNAMIC GROWTH IN DELIVERY



## A reliable partner for the last mile

### Strong growth

- Continuous double digit growth to 16.7% sales share

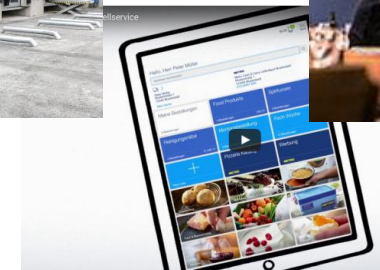
### Professionalize the fulfillment model

- All countries added separated store areas / dedicated depots to their out-of-store delivery capabilities
- Extensive rollout leading to additional startup costs

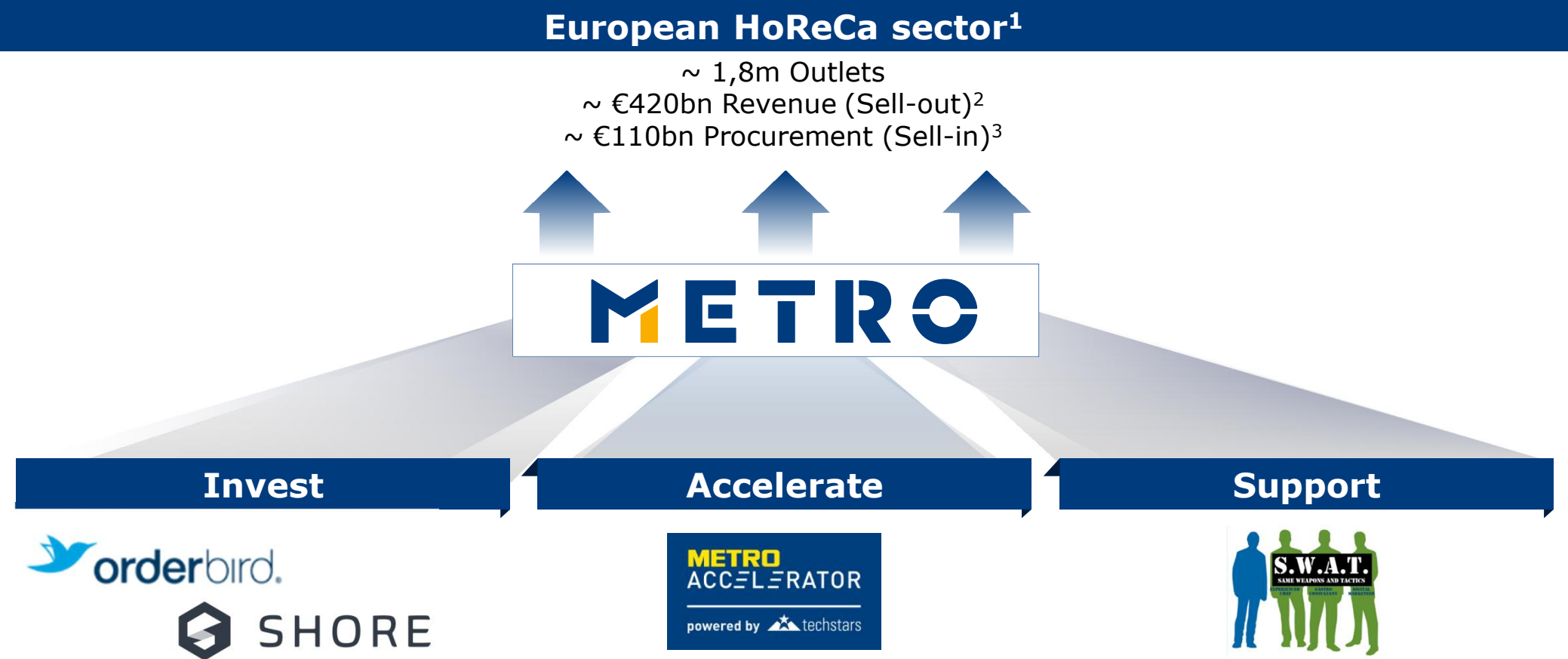
**Digital readiness:** online ordering via METRO software

### Build the customer base

- Sales share of recurring customers in line with group average



# PATH TO HOSPITALITY X.0



<sup>1</sup> European HoReCa sector including Germany, Western Europe, Eastern Europe, United Kingdom and Switzerland; <sup>2</sup> HoReCa Market (commercial consumer foodservice) at retail sales price to end consumers incl. VAT/sales tax; market sizes for 2015 in current prices fixed 2015 euros for HoReCa according to Euromonitor; <sup>3</sup> Procurement (Sell-in) based on company estimates assuming ~30% Cost of Goods Sold (COGS)

# STEADY TOPLINE GROWTH, SOLID PROFITABILITY AND STRONG CASH CONVERSION

## Solid status quo with further mid-term ambition

	FY '15/16	Mid-term ambition <sup>1</sup>
<b>Sales growth</b>	€37bn	≥3%
<b>EBITDA Margin<sup>2</sup></b>	4.9%	Stable
<b>FCF conversion<sup>3</sup></b>	43%	>60%

## Drivers for further improvement

- Implementation of **Value Creation Plans (VCPs)**
- Strong focus on **capex efficiency** and **NWC optimisation**
- Significantly **less restructuring charges**
- **Incentive scheme fully “in sync”** with financial targets

Source: Company information, METRO WFS combined financial statements

<sup>1</sup> At constant FX and before portfolio measures; <sup>2</sup> EBITDA before special items; <sup>3</sup> (EBITDA reported – capex excluding finance lease extensions and M&A +/- change in NWC)/EBITDA reported

# Q3 HIGHLIGHTS – STRONG SALES GROWTH, STABLE EBIT MARGIN AND IMPROVED FREE CASH FLOW

## Sales growth

Reported: +4.9%

Like-for-like: +2.6%

Delivery<sup>1</sup>: >30%  
14% ex Pro à Pro

Online (Real): ~+70%

*Mid-term ambition: +3%  
reported growth*

## EBIT and EBIT margin<sup>2</sup>

EBIT: €230m (PY €239m)

Margin

- before SI<sup>3</sup>: 2.5% (PY 2.7%)
- reported: 2.3% (PY 0.8%)

*Mid-term ambition EBITDA  
margin: ~5%, no more  
special items*

## Free Cash Flow (FCF)<sup>4</sup>

Δ EBITDA (reported): +€139m vs PY

Δ change in NWC: +€166m vs PY

Δ Capex: +€2m vs PY

Δ FCF: +€307m vs PY

*Mid-term ambition FCF  
conversion: >60%*

<sup>1</sup> Wholesale delivery growth; <sup>2</sup> Mid-term ambition refers to EBITDA before special items margin; METRO Wholesale's reporting will continue to focus on EBIT for FY 2016/17; <sup>3</sup> SI = special items;

<sup>4</sup> EBITDA reported - capex excluding finance lease extensions and M&A +/- change in NWC

# SALES IN Q3 – STRONG PERFORMANCE ACROSS THE BOARD

%	Q3 2015/16	Q3 2016/17
<b>Like-for-like growth</b>	<b>-0.6%</b>	<b>2.6%</b>
METRO Wholesale	0.1%	2.6%
Real	-3.5%	2.5%
<b>Reported growth</b>	<b>-4.8%<sup>1</sup></b>	<b>4.9%</b>
METRO Wholesale	-4.5%	6.2%
Real	-6.0%	0.7%
<b>Sales share of respective sales line</b>		
Delivery: Wholesale	13.5%	16.7%
<i>excl. Pro à Pro</i>		14.6%
Online: Real	0.9%	1.5%

## Like-for-like growth

- Strong LfL growth of 2.6% in Q3
- Wholesale: all clusters with positive LfL growth; France, Turkey and Germany overcompensated Russia and the Netherlands
- Minimal calendar support at Real, no calendar support at METRO Wholesale

## Reported growth

- Even stronger reported growth at 4.9%
- Driven by 6 NSOs and currency support

## Multichannel sales share

- Continued double-digit sales growth for METRO Wholesale delivery business
- Real's online business with ~70% growth to 1.5% sales share

<sup>1</sup> unaudited; internal calculations

# EBIT IN Q3 – OPERATIONAL IMPROVEMENT IN WHOLESALE COUNTERED BY LESS REAL ESTATE GAINS

€m	Q3 2015/16	Q3 2016/17
<b>EBIT</b>	<b>239</b>	<b>230</b>
METRO Wholesale	242	256
<i>thereof FX</i>		12
Real	8	-2
Others/Consolidation	-11	-25
<b>EBIT margin</b>	<b>2.7%</b>	<b>2.5%</b>
METRO Wholesale	3.4%	3.4%
Real	0.4%	-0.1%
<b>Real estate gains</b>	<b>26</b>	<b>9</b>
METRO Wholesale	0	0
Real	0	0
Others	26	9

## EBIT and EBIT margin

- Wholesale EBIT
  - excluding FX support €3m above PY
  - strong LfL countries compensate underperformers
- Real EBIT margin decline driven by price investments in competitive market and higher marketing costs

## Real estate gains

- METRO EBIT impacted by €17m lower real estate gains in 'others'
- Q3 gains from sale of two German shopping centers

# EBIT TO EPS IN Q3 – STEADY TAX RATE IMPROVEMENT

€m	Q3 2015/16	Q3 2016/17
<b>EBIT</b>	<b>239</b>	<b>230</b>
<i>Interest and investment result</i>	-28	-33
<i>Other financial result</i>	-4	-43
Net financial result	-32	-76
<b>EBT</b>	<b>208</b>	<b>154</b>
Tax rate (9M)	41.6%	40.8%
Net income	133	88
<b>EPS in €<sup>1</sup></b>	<b>0.36</b>	<b>0.24</b>
<b>EPS (reported)<sup>1</sup></b>	<b>0.14</b>	<b>0.21</b>

## Net financial result

- Lower interest expense (favorable interest rate environment) countered by lower interest income due to tax-related refunds in PY
- Other financial result negatively impacted by valuation of intercompany receivables in foreign currency (non-cash)

## EPS

- Decrease driven by lower real estate gains and net financial result
- On a 9M-basis, EPS increased from €0.81 in 2015/16 to €1.08 in 2016/17

<sup>1</sup> Pro-forma figure reflecting increased share count (demerger not-effective as per Q3 closing)



# FCF IN Q3 – STRONG IMPROVEMENT DRIVEN MOSTLY BY LOWER SPECIAL ITEMS AND NWC

€m	Q3 2015/16	Q3 2016/17
<b>EBITDA</b>	<b>417</b>	<b>399</b>
Special items in EBITDA	167	10
<b>EBITDA reported</b>	<b>250</b>	<b>389</b>
<b>Change in NWC</b>	<b>-190</b>	<b>-24</b>
<b>Capex<sup>1</sup></b>	<b>-187</b>	<b>-185</b>
METRO Wholesale	-125	-108
Real	-33	-39
Others	-28	-38
<b>FCF</b>	<b>-127</b>	<b>180</b>
<b>Net debt (30 June)</b>	<b>3,589</b>	<b>3,766</b>

## Change in NWC

- Improvement in NWC supported by Easter shift and timing effects, e.g. day constellation

## Capex

- Wholesale: maintenance and remodeling; 6 new stores: China (2), India (2), France (1), Italy (1)
- Others: IT maintenance and software development

## FCF

- Q3 improvement through significantly lower special items and NWC development

## Net debt

- Net debt increase largely driven by Pro à Pro acquisition

<sup>1</sup> Capex, excluding M&A and excluding finance lease extensions.

# METRO

*A powerful **international wholesale** group*

- **Customer value driven** & completely **localised**
- Strong **B2B relationships** & **recurring revenues**
- **Highly engaged teams**
- Additional prospects: **Digitisation** of **SMEs**
- Strong **cash conversion**
- Up-and-coming **Food lover** concept
- **Sound balance sheet**
- Substantial **real estate** underpin



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