



# 3i Capital Markets Seminar Action

30 May 2017





Introduction on Action

**Simon Borrows**

Update on strategic delivery

Action business model



**Sander van der Laan**

Financial performance

**Frederik Lotz**



# Introduction on Action Simon Borrows

# 3i acquired Action in September 2011



- Acquired from founders in primary buyout for 8.3x EBITDA
- Investment triggered by proactive approach from 3i
- Six months exclusive off-market due diligence process

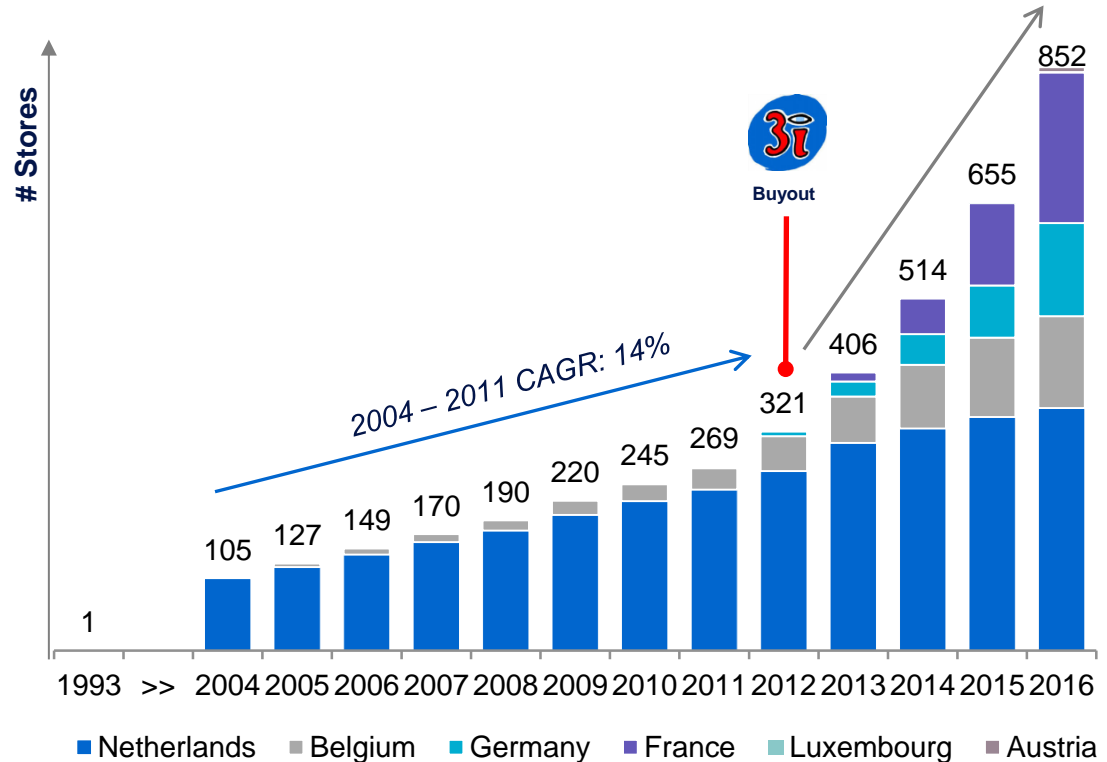


# Acceleration of international growth under 3i's ownership



## Milestones 2011-2017

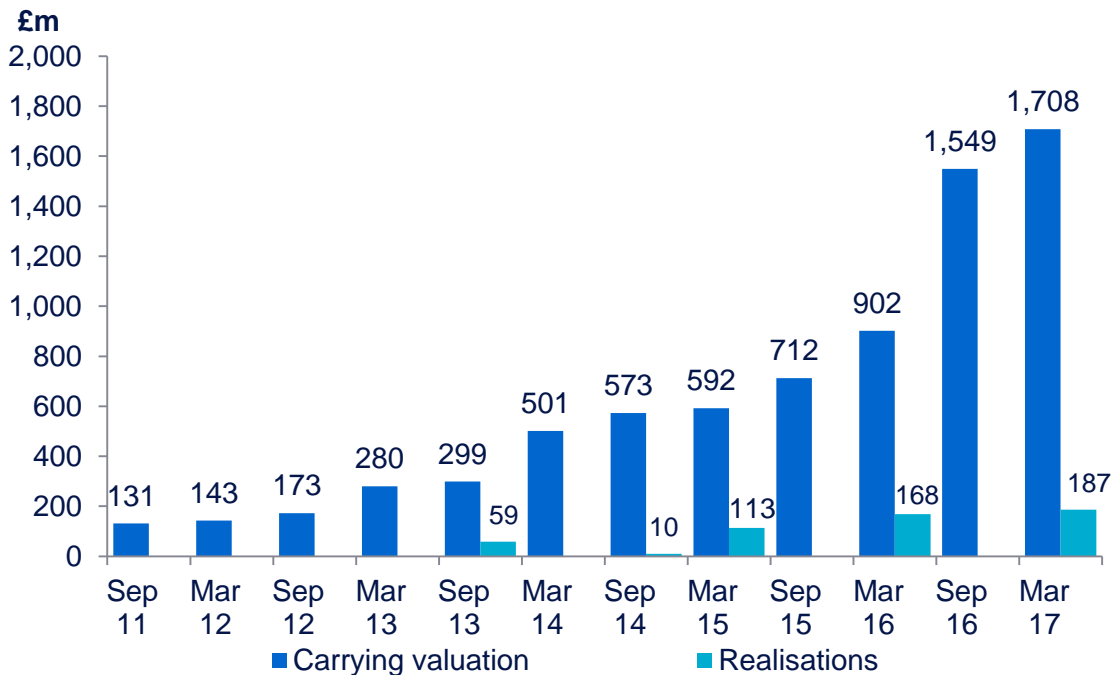
- Transitioned from founders to professional management
- Strengthened the team and built systems and processes
- Accelerated international growth and expanded into six European markets
- New CEO and CFO appointed in 2015 to lead next phase of development



# Strong value creation and continued potential



## Action – 3i carrying value



- £1,708m carrying value
- 16.0x run-rate EBITDA multiple post-liquidity discount
- Action reported EBITDA of €310m in 2016
- 20.8x money multiple over cost<sup>(1)</sup>
- 4.9x money realised from distributions (recaps)
- 35% of 3i's PE portfolio

Source: 3i Annual and Half-yearly reports.

(1) Cash proceeds over cash invested. Valuation of remaining investment included in the multiple.



**Sander van der Laan**

*/// Chief Executive Officer*

- Joined in October 2015
- 26 years of Consumer & Retail experience
- Various positions at Ahold (1998 – 2015)
  - CEO Albert Heijn (2011 – 2015)
  - COO Ahold Europe
  - General Manager Albert Heijn
  - CEO Giant Food Stores (Ahold USA)
  - EVP Marketing & Merchandising Albert Heijn
  - General Manager Gall & Gall



**Frederik Lotz**

*/// Chief Financial Officer*

- Joined in August 2015
- >15 years of CFO experience
- Previous CFO roles:
  - CFO Arla Foods 2010 – 2015
  - CFO Danfoss 2007 – 2009
  - CFO Ferrosan 2002 – 2006
- Held various financial positions at Maersk
- Significant international experience (France, China)

# Update on strategic delivery

*Sander van der Laan*





# Action is the leading pan-European non-food discount retailer

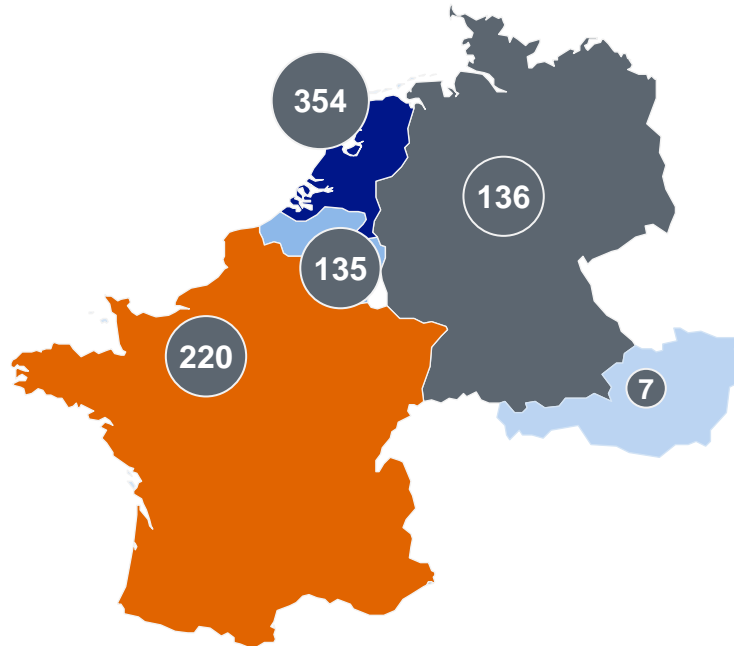


**852 stores**

**All stores profitable**

**6 countries**

**>35,000 employees**  
across 6 countries



*# of stores*

Sales:  
**€2,675m (+34%)**

Like-for-like sales  
growth: **6.9%**

EBITDA:  
**€310m (+37%)**

**>50%** revenue  
outside the  
Netherlands

# Action's strategy is simple and clear

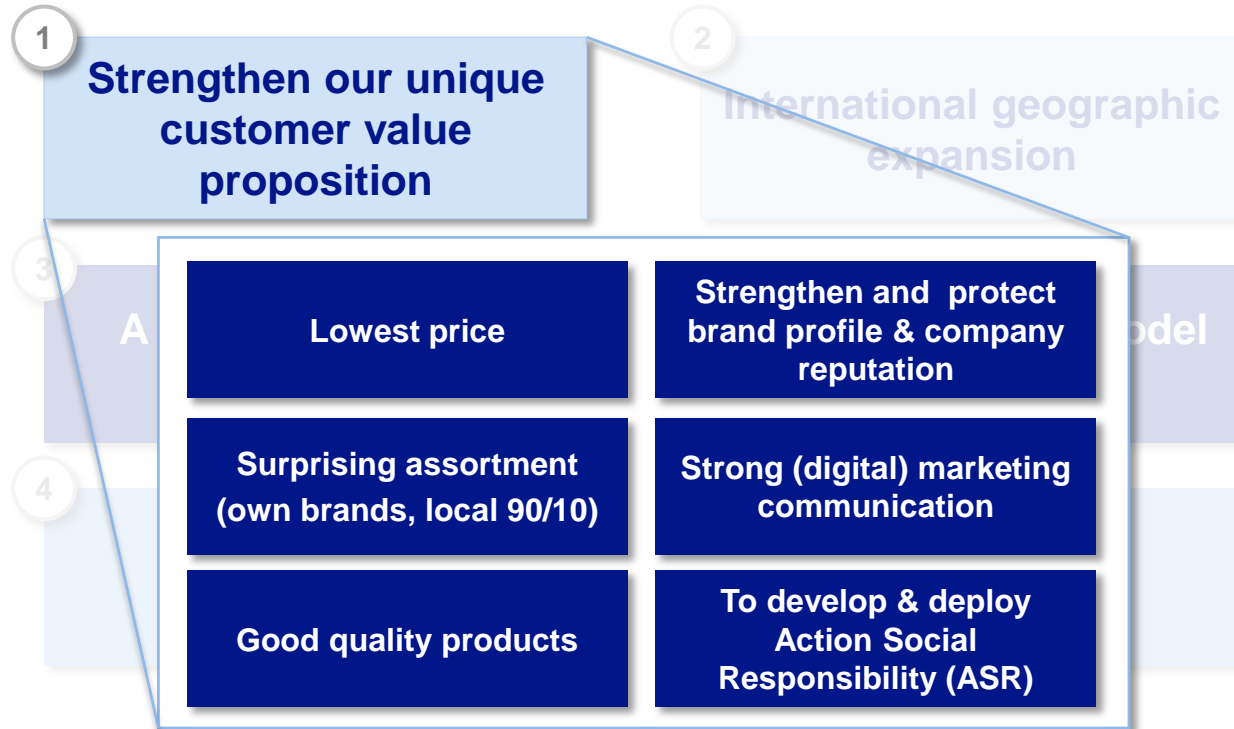
*Relentless execution of a winning strategy*

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# Action's strategy is simple and clear

*Relentless execution of a winning strategy*



# Action's strategy is simple and clear

*Relentless execution of a winning strategy*



### Build quality private labels

Logos for private labels: Teddy Care, office essentials, FIXEEZE HAIR PROFESSIONALS, spargo, SPECTRUM Paint & Supplies, WERCKMANN PROFESSIONAL TOOLS.

### Launch of new digital communication strategy

Screenshots of ACTION website on a monitor and a smartphone.

**ACTION.com**

### Implement country specific dimension

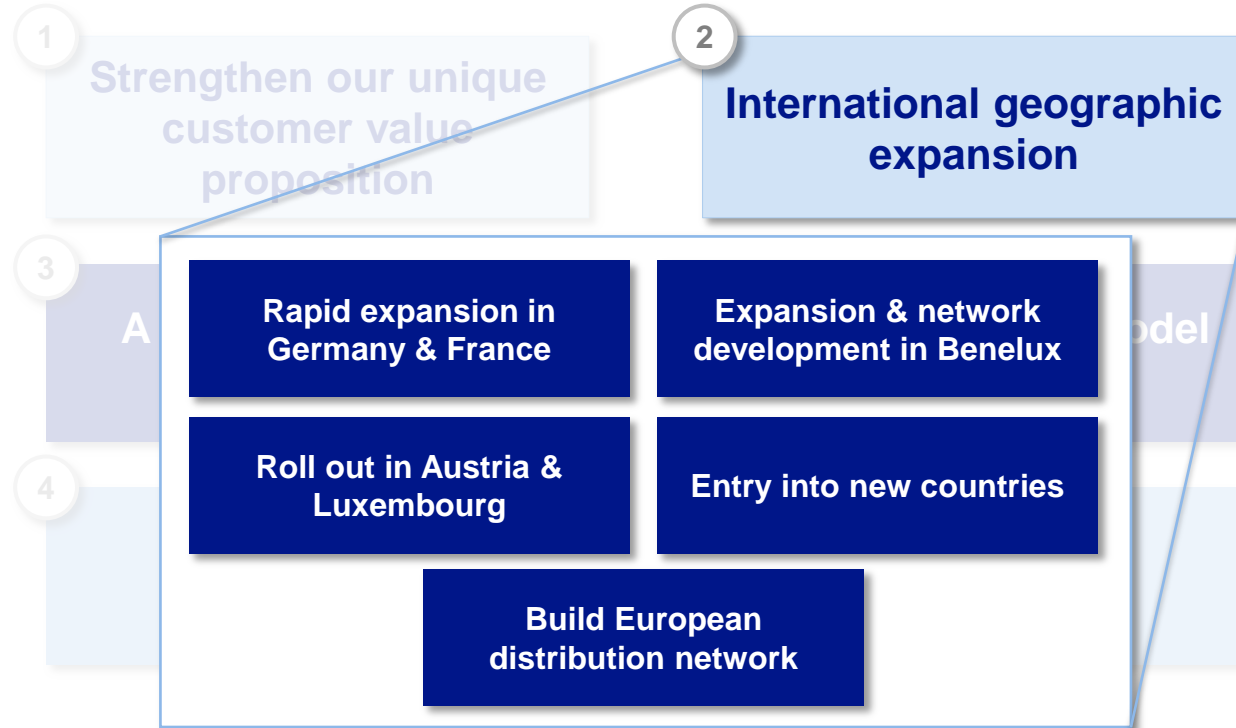
Map of Europe with 90% for the whole region and 10% for Germany, France, and Italy.

### Updated Action Social Responsibility strategy

Icons for Social Responsibility: PRODUCT, PEOPLE, ENVIRONMENT, GOOD CITIZENSHIP.

# Action's strategy is simple and clear

*Relentless execution of a winning strategy*



# Action's strategy is simple and clear

*Relentless execution of a winning strategy*



197 stores opened in 2016,  
44 stores opened year to date



2

8 stores in Austria



Expansion in  
Germany & France

Expansion  
development in Benelux

DC-C and DC-D opened



Expansion in Austria &  
Luxembourg

Entry into new  
markets

DC-E and DC-F planned



Build European  
distribution network

# Action's strategy is simple and clear

*Relentless execution of a winning strategy*



# Action's strategy is simple and clear

## Relentless execution of a winning strategy



2

### Strengthened management

Executive Board members

 CEO Sander van der Laan	 CFO Frederik Lotz	
 Buying & Merchandise Director Simon Hathway	 Operations Director Hajir Haji	 Marketing Director René Repko
 Supply Chain Director Vincent Bröring	 Communications Director Yvette Moll	 Legal Director Rob Wesseling
 HR Director Liz van der Werf	 Real Estate Director Angus Booth	 IT Director Jens Burgers

### Upgraded IT

SAP EWM

SAP CAR

Available, and cost-effective that delivers our strategy

### Strengthen and renew our HR platform

Illustration of a hand interacting with a tablet displaying HR data, including a bar chart, pie chart, and employee icons.

Build a scalable IT infrastructure & technologies

Business Intelligence & Data Analytics

### Developing business with A-brand suppliers

Unilever

P&G

MARS incorporated

The Coca-Cola Company

PEPSICO



# Action's strategy is simple and clear

*Relentless execution of a winning strategy*



# Action business model

*Sander van der Laan*



# Unique business model provides sustainable competitive advantage

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- 1 Price
- 2 Surprise
- 3 One brand & one format
- 4 Scalable business model
- 5 People
- 6 Customers

# 1 Price



*Main reason for visiting Action*

**1** For the lowest price

**2** Category variety

**3** Changing assortment

**4** Shop is nearby

**5** For specific products I always buy there



# 1 Price

*13 distinct categories in 3 groups*

## General Merchandise

DIY



Toys & Entertainment



Stationery & Hobby



Decoration



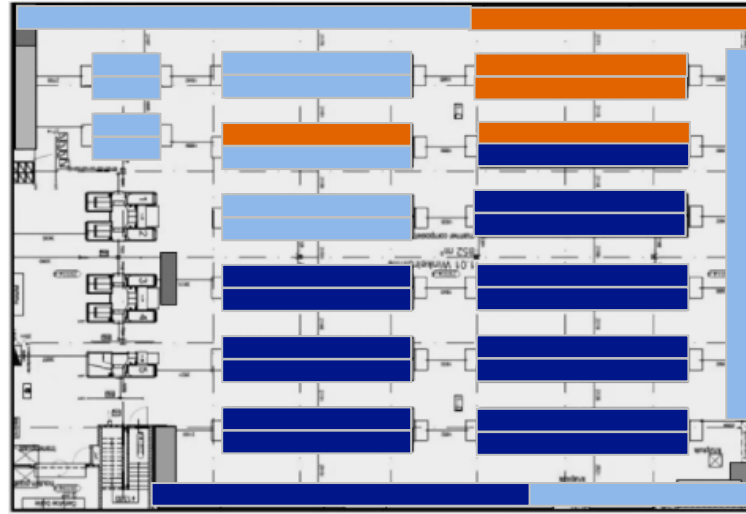
Multimedia



Household



Seasonal



## FMCG



Food and Drink



Laundry and Cleaning



Personal Care



Pet Food

## Textiles



Basic and Fashion

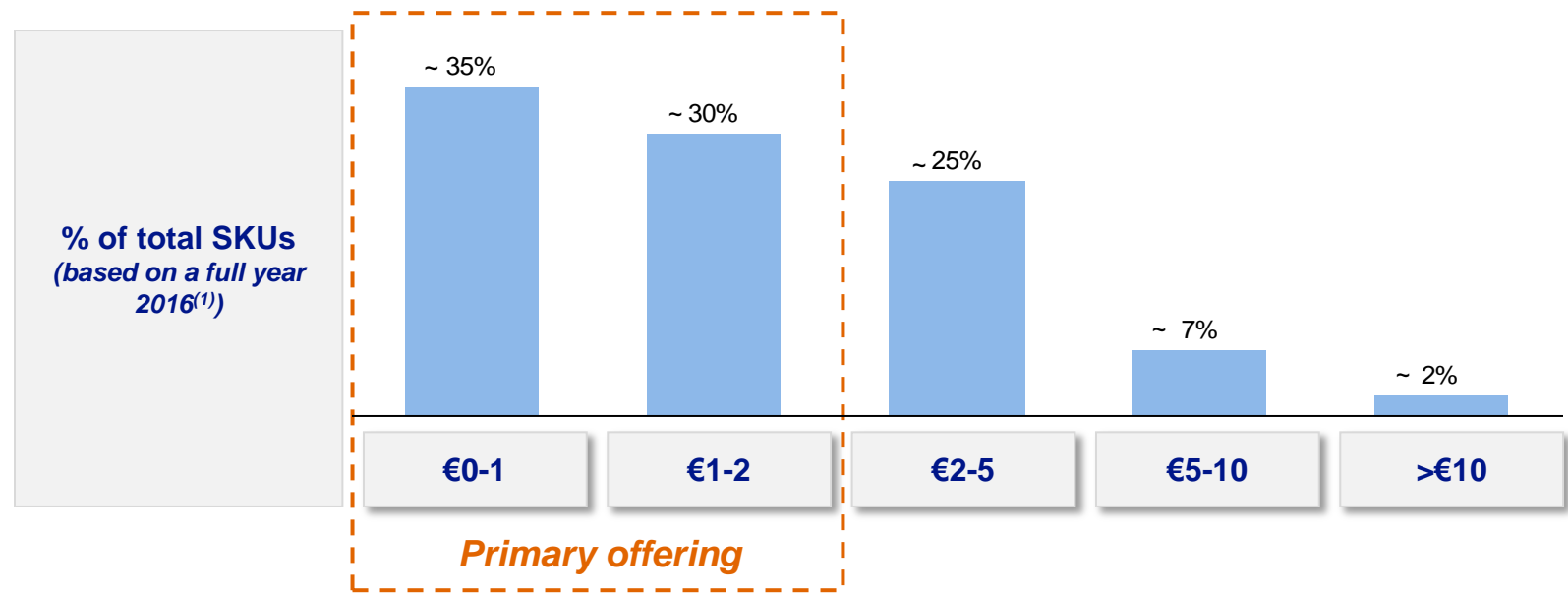


Linens

# 1 Price



## Unbeatable prices



**Low average selling price<sup>(1)</sup> of ~€1.70 per product**

(1) Average selling price including VAT

Source: Company information

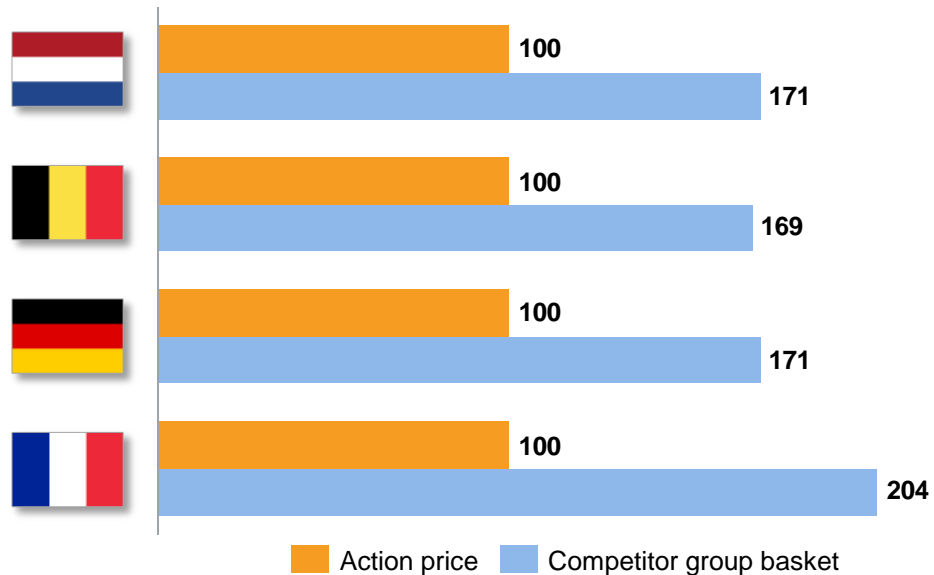
# 1 Price



## Unbeatable prices for competition



### Strong low-price points<sup>(1)</sup>



(1) Chart shows comparison of shopping baskets between countries as at October 2016. Price index excludes promo pricing.  
Source: Company information

# 1 Price



## Why are our prices so low



### Resilient pricing model

- /// Economies of scale reinvested in low price proposition
- /// First mover advantage
- /// High SKU rotation difficult to implement in supply chain
- /// Dedicated and trusted supplier network
- /// Internal organization able to act fast and flexibly
- /// Culture focused on low price proposition
- /// Focus on Every Day Low Prices (“EDLP”)

**Hard to replicate price proposition embedded in all disciplines of our organisation**



# 1 Price

## *Good quality can come at a good price*

- /// Enhance Action quality system
- /// Strengthen quality & sustainability function
- /// Action Ethical Sourcing Policy
- /// 100% factory audits of all direct imports
- /// Formulate & communicate our objectives and efforts



## 2 Surprise

*Circa 150 – 200 new products every week*

Illustrative new articles introduced over a 6 week period						
Week	1	2	3	4	5	6
DIY						
Toys and Entertainment						
Stationery and Hobby						
Decoration						
Multimedia						
Household						
Seasonal						
Laundry and Cleaning						
Food and Drink						
Personal Care						
Pet Food						
Basics and Fashion						
Linen						

## 2 Surprise

*Seasonal offering adds to the surprise perception*

### Summer & Garden

69<sup>95</sup>  
15<sup>99</sup>  
1<sup>99</sup>  
9<sup>95</sup>

### Back to school

0<sup>98</sup>  
0.79  
0.79  
2.99

### Christmas

1.75  
0<sup>95</sup>  
14<sup>95</sup>  
8<sup>99</sup>

### Easter

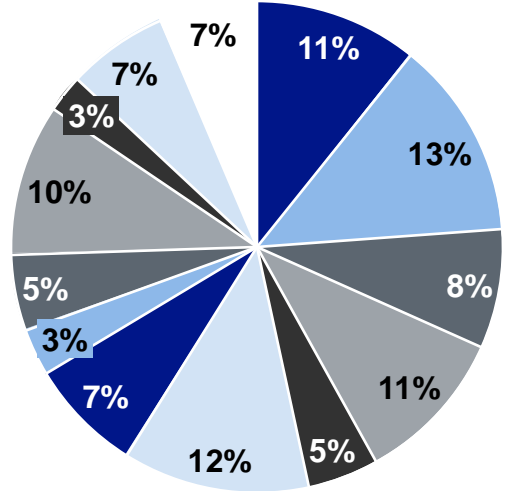
1.59  
2.59  
0<sup>68</sup>  
159.00

Seasonal offering further adds to the surprise perception, resulting in higher frequency of shopping and client retention

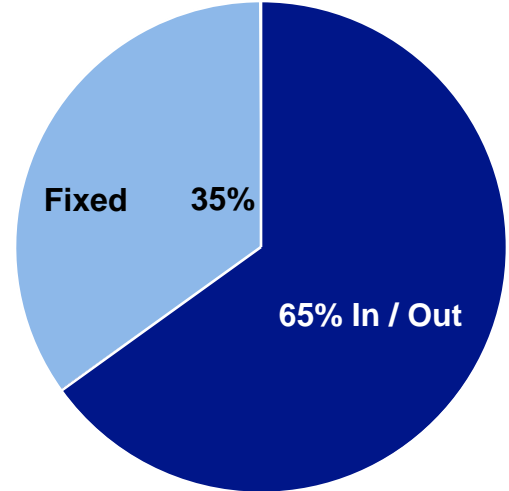
## 2 Surprise

### Balanced assortment

2016 Net sales by product category



2016 Net sales by product type



Balanced assortment

Multiple price point offering

c.150 – 200 new products per week

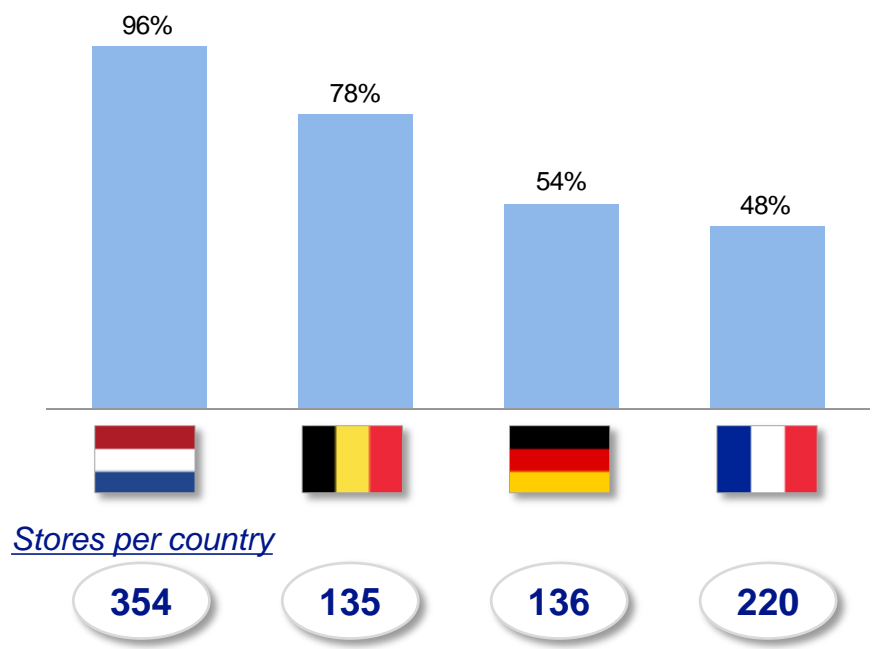
Source: Company information

## 2 Surprise

*Loyal clients spreading the word*



### Customer awareness per country<sup>(1)</sup>



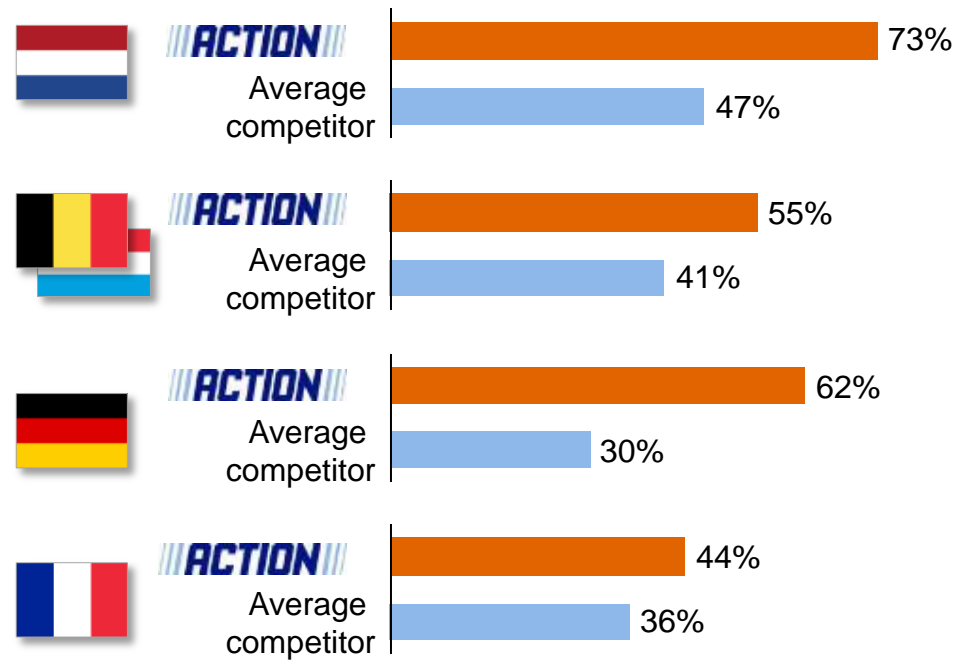
Source: Company information

(1) GfK Image and Awareness Study December 2016

## 2 Surprise



Customers acknowledge our surprising assortment<sup>(1)</sup>



Source: Company information  
(1) GfK Image and Awareness Study December 2016



### 3 One brand & one format

*Standardised store format*

**/// ACTION ///**

- /// One brand
- /// One store format
- /// One store operating model
- /// Majority of stores between 700m<sup>2</sup> and 1,100m<sup>2</sup>
- /// ~90% of SKUs equal across all stores and countries

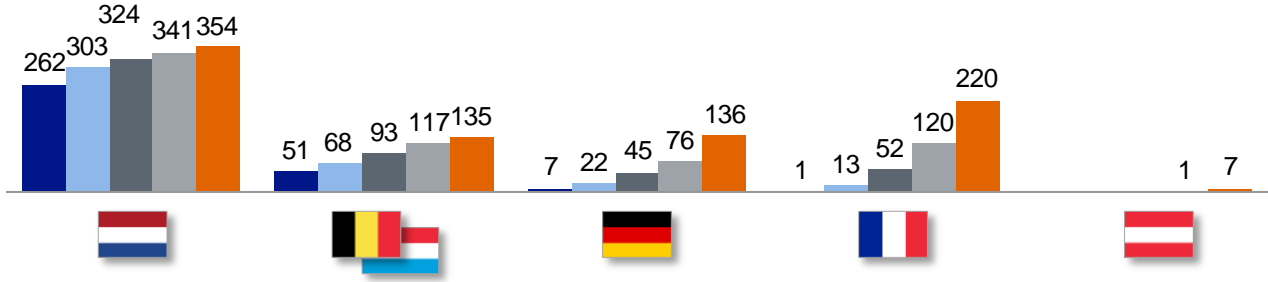


# 4 Scalable business model

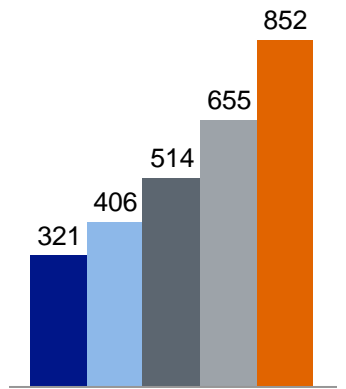


*Continued strong store roll-out track record in 2016*

2012 2013 2014 2015 2016



Number of stores across countries



Total stores



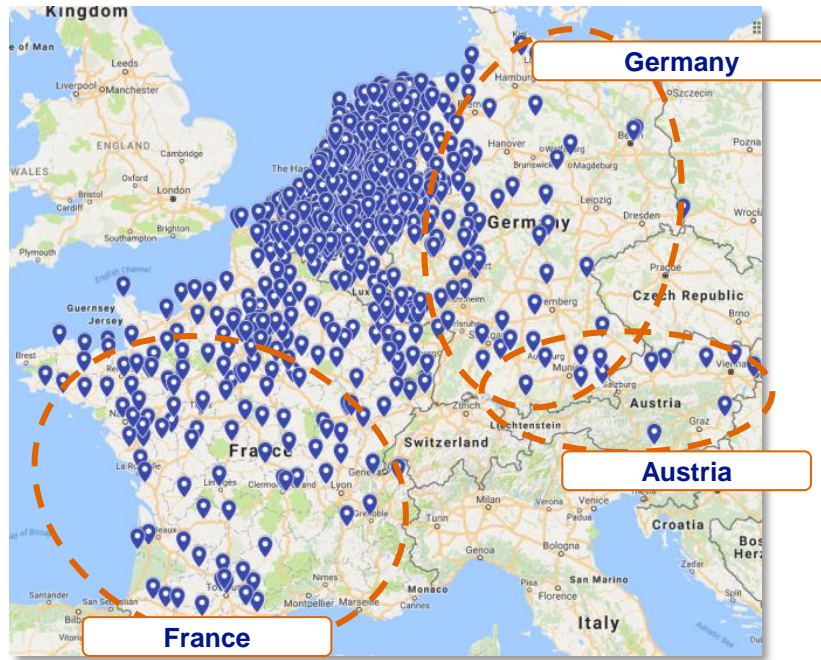
Population per store per country

Source: Company information



## 4 Scalable business model

*Significant further roll out potential in existing markets*



Highly experienced expansion team with:

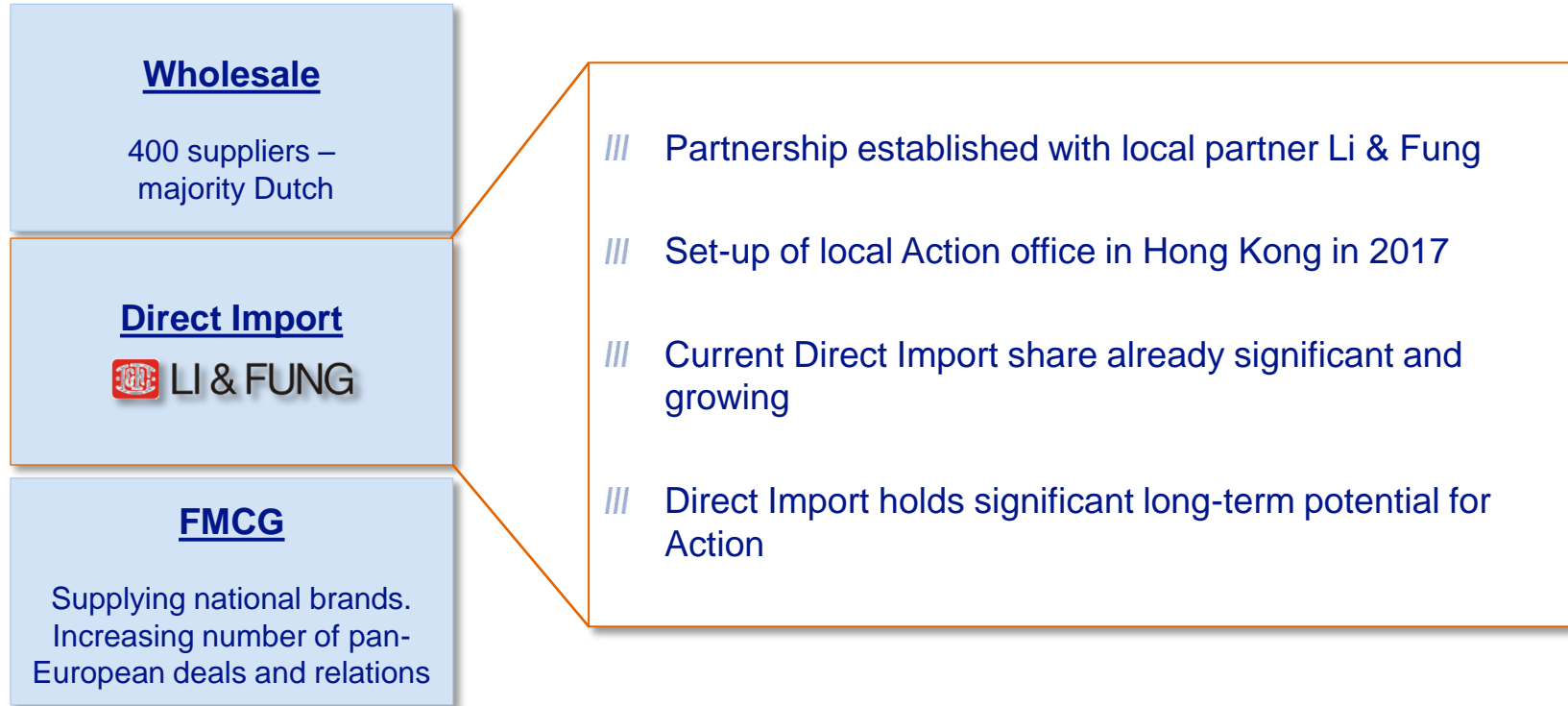
- /// ~25 acquisition managers
- /// Country specific construction teams
- /// 10 store opening teams
- /// Standardized store opening process
- /// Disciplined IP approval process

**Action is currently active in 6 countries with the potential to enter new countries**

## 4 Scalable business model



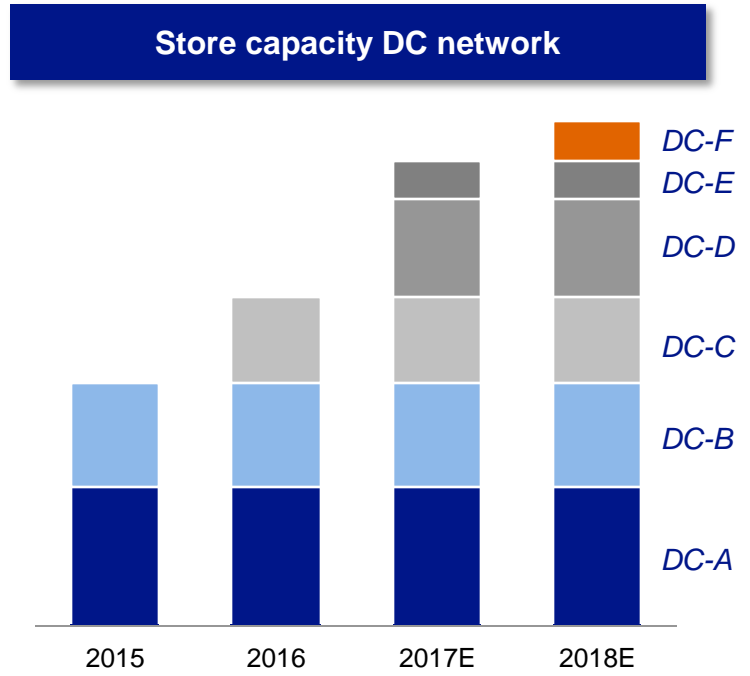
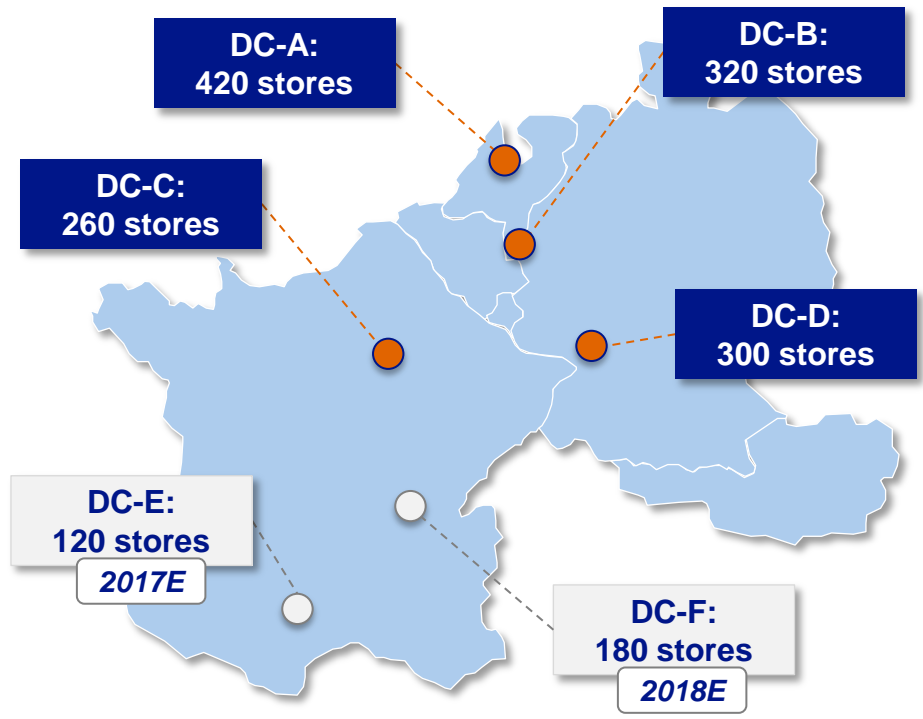
### *3 tier strategic sourcing approach with Direct Import on track*



# 4 Scalable business model



*Proven DC expansion strategy, doubling capacity in 6 months*

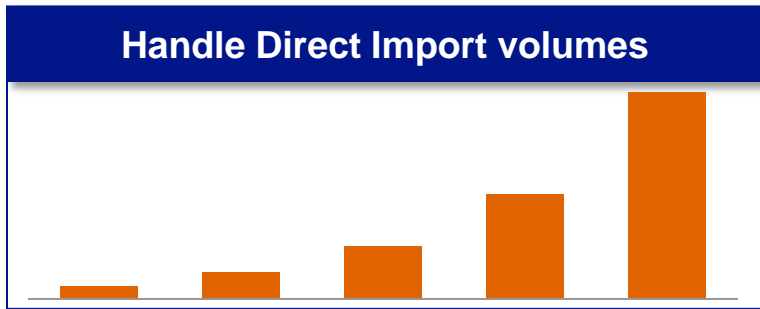
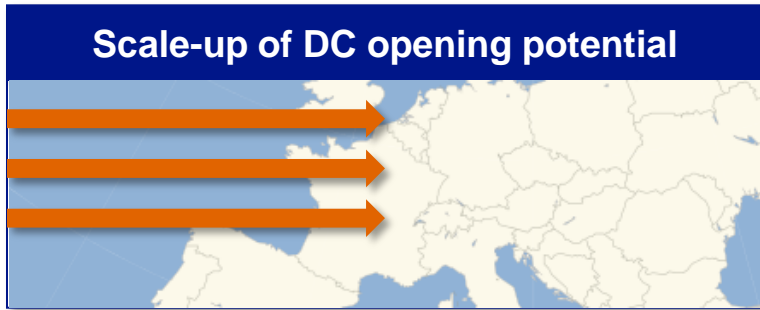


Source: Company information

## 4 Scalable business model



*Working on a supply chain fit for accelerated growth*



**Creating a sustainable supply chain infrastructure to support the future growth of Action**

# 5 People



## Company culture is fundamental

1	Customer focused
2	Cost conscious
3	Teamwork
4	Discipline
5	Simplicity
6	Respect



Source: Company information

# 5 People

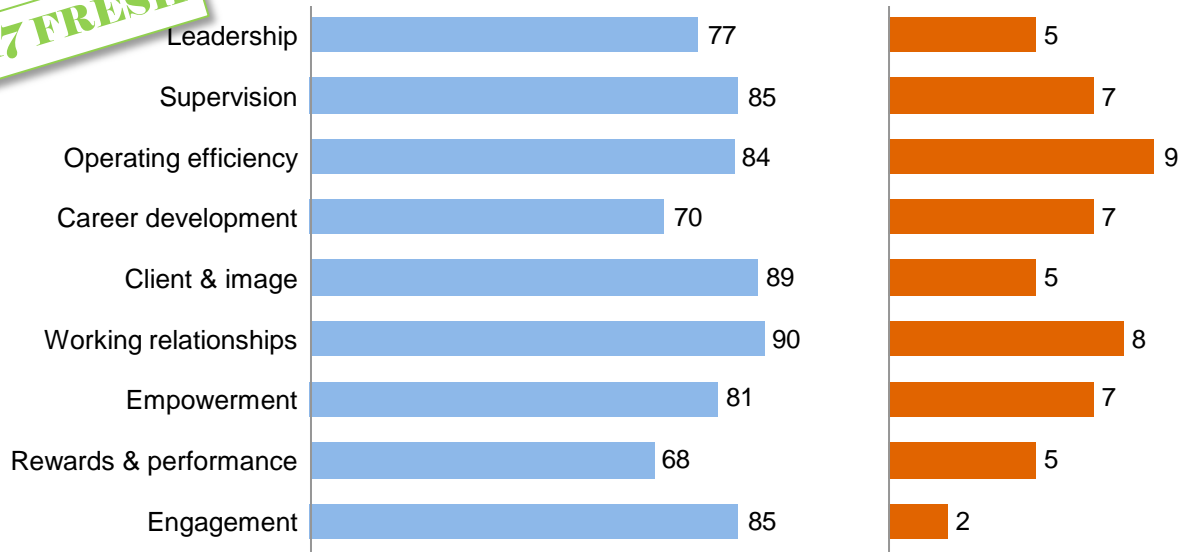
## Engaged and proud employees



### 2017 Total favourable score<sup>(1)</sup>

2017 FRESH

### Versus retail norm



Source: Tower Watson study, 2017  
(1) On a scale of 1-100

# 5 People



*Highly experienced and dedicated international management team*

## Action operating team



**CEO**  
Sander van der Laan



**CFO**  
Frederik Lotz



Executive Board members



**Buying & Merchandise Director**  
Simon Hathway



**Operations Director**  
Hajir Hajji



**Marketing Director**  
René Repko



**Supply Chain Director**  
Vincent Bröring



**Communications Director**  
Yvette Moll



**Legal Director**  
Rob Wesseling



**HR Director**  
Liz van der Werf



**Real Estate Director**  
Angus Booth



**IT Director**  
Jens Burgers

Source: Company information



# Our strategy will remain simple and clear



1

**Strengthen our unique customer value proposition**

2

**International geographic expansion**



3

**A simple, scalable, and cost-effective business model that delivers our strategy**

4

**Build on the unique Action culture & values**



# Financial performance

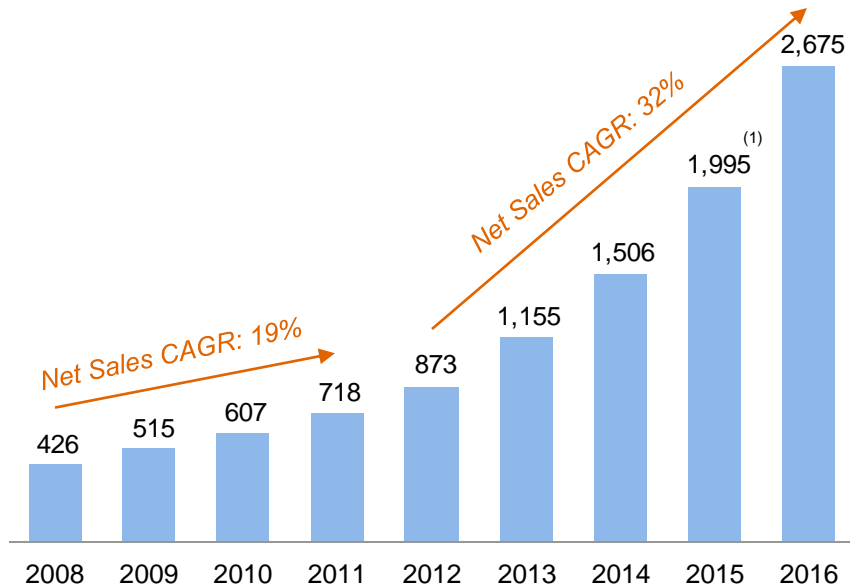
*Frederik Lotz*



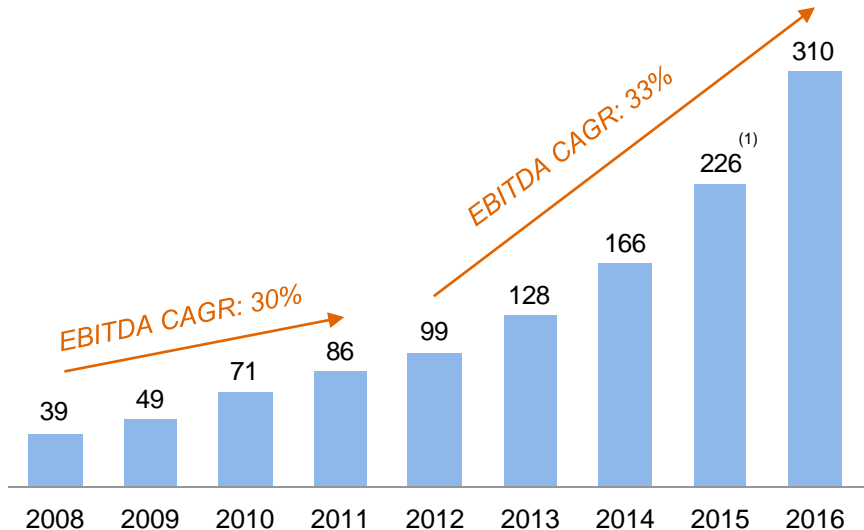
# Consistent high growth track record



## Rapid net sales growth (€m)



## Strong EBITDA growth (€m)



Source: Company information

(1) Excluding impact of 53<sup>rd</sup> week

1

## Clear value drivers

- *Like-for-like sales growth*
- *#new stores*
- *EBITDA margin*

2

## Superior store economics

- *Consistent gross margin*
- *All stores profitable*
- *Very fast pay-back*

3

## Excellent cash generation

- *Low capital intensity*
- *Very fast payback*
- *Negative working capital*

4

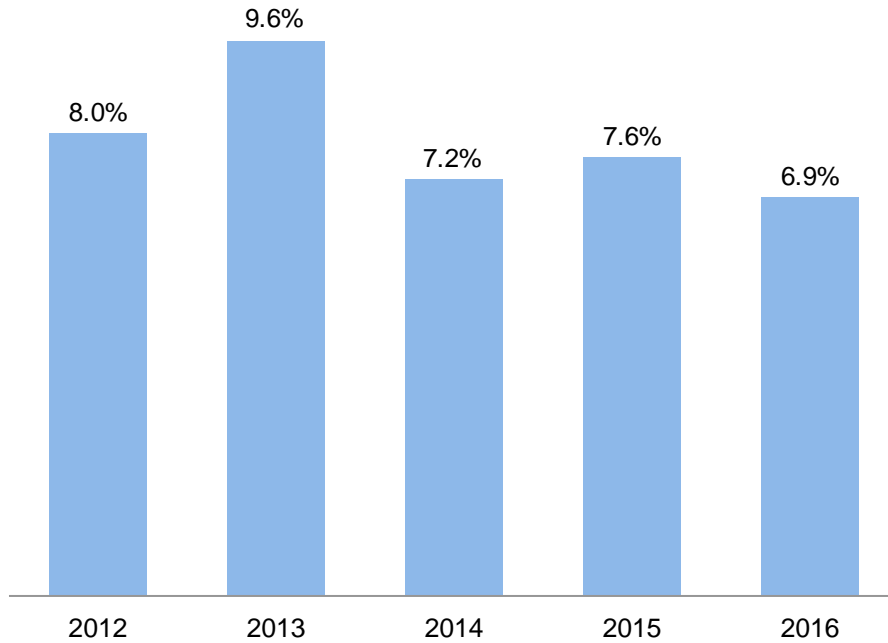
## Strong economic model

- *Proven*
- *Consistent*
- *Predictable*
- *Robust*

5

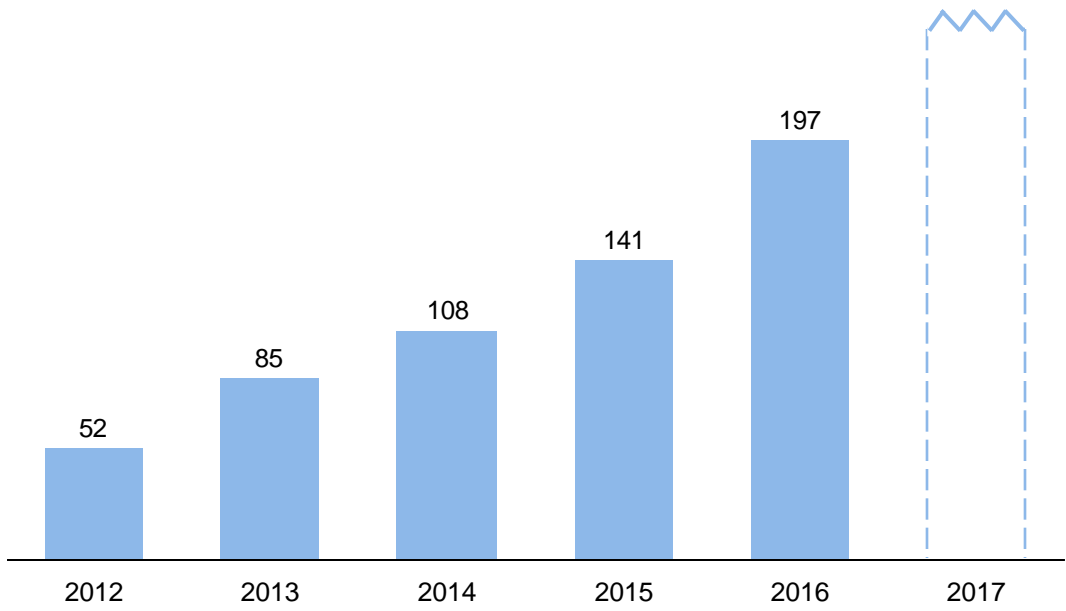
**Tight centralized financial governance and control**

# 1 Strong Like-for-Like sales growth



Source: Company Information

# 1 New store openings



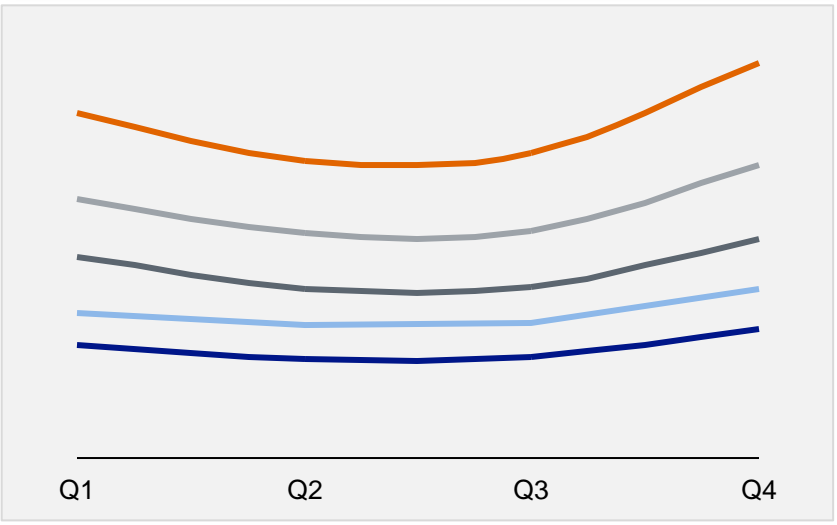
Source: Company information

# 1 Limited seasonality

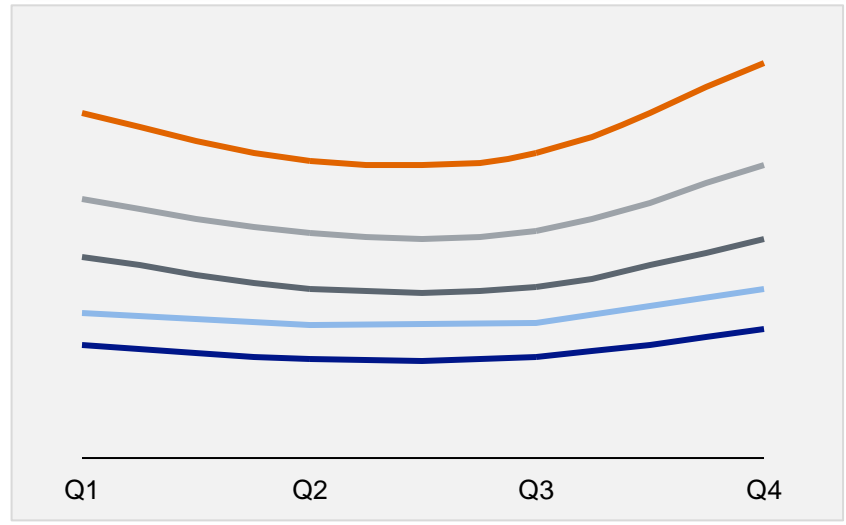
## *Consistent growth and low seasonality*



### Net sales by trading period



### EBITDA by trading period



2012 2013 2014 2015 2016

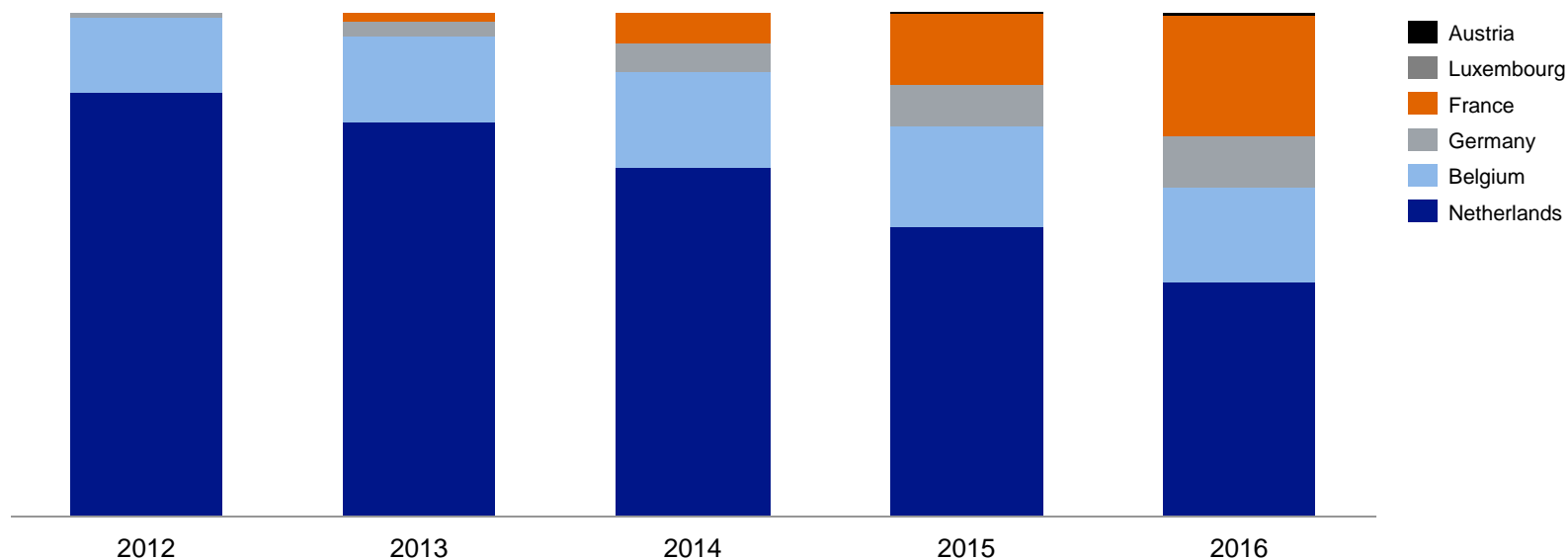
Source: Company information

Note: Q1 comprises 4 periods of 4 weeks; Q2, Q3, Q4 all comprise 3 periods of 4 weeks

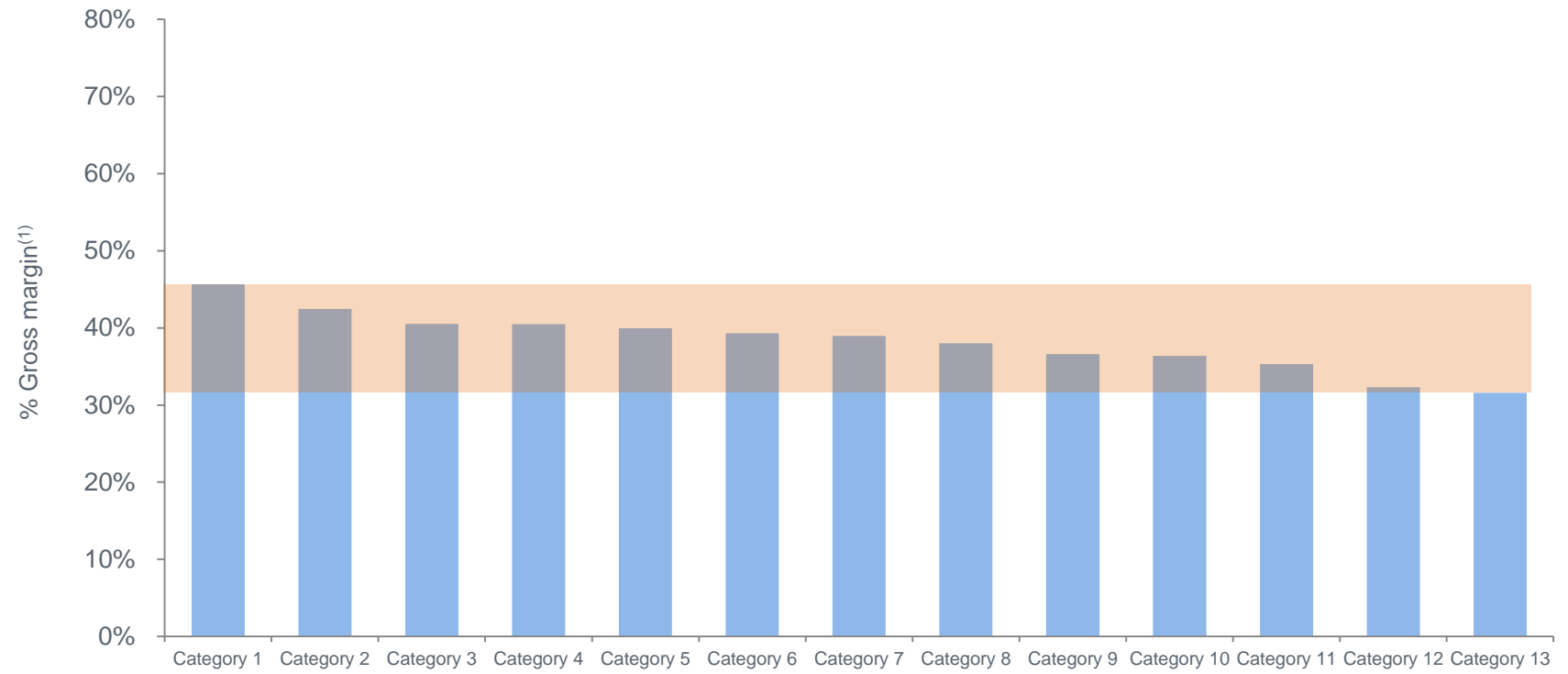
# 1 Balanced revenue mix between countries

*Already over 50% of sales outside home market*

## Sales per country



## 2 Consistent margins across all categories



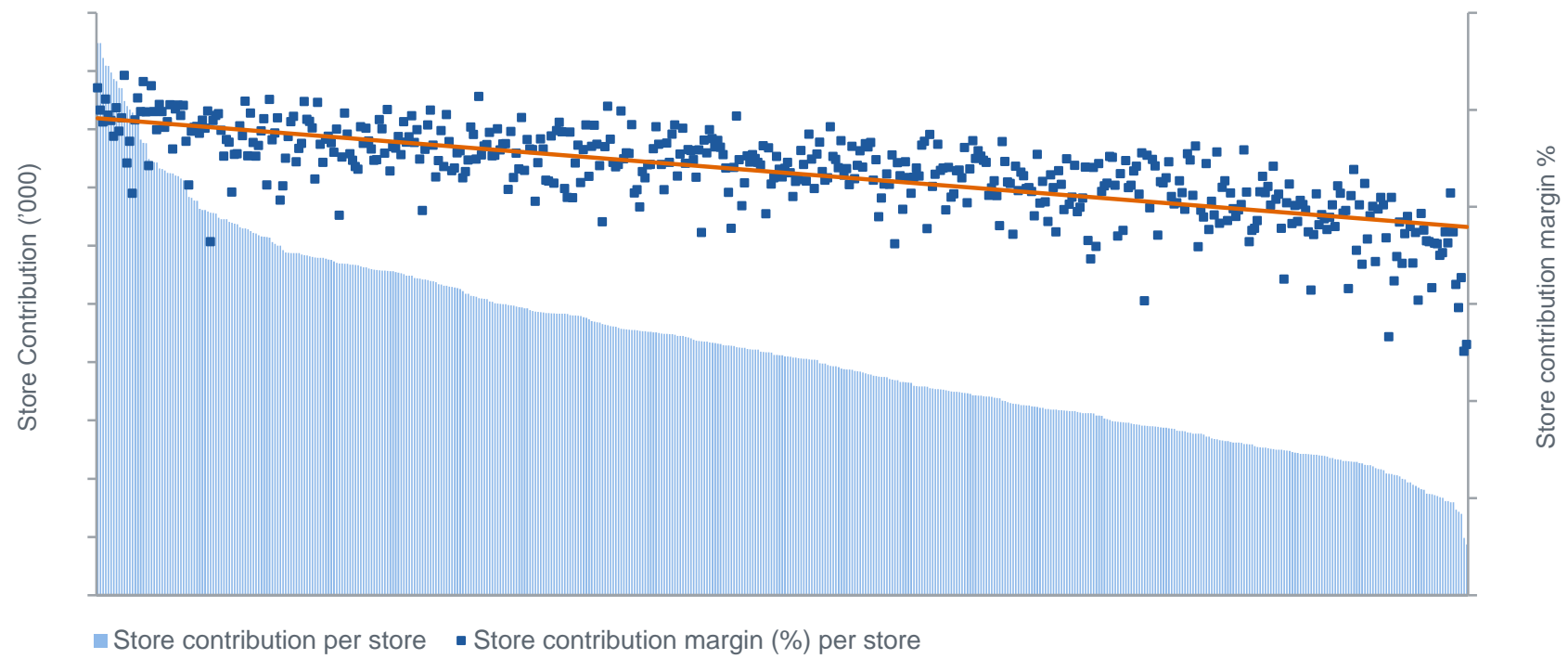
Source: Company Information  
(1) (Net sales - Cost of goods sold) / Net sales



2

## All stores profitable

All LFL stores<sup>(1)</sup> are consistently profitable across all countries



Source: Company Information

Note: Chart shows store contribution (€k) and store contribution as % of net sales (2016). Store contribution is store EBITDA before indirect store expenses

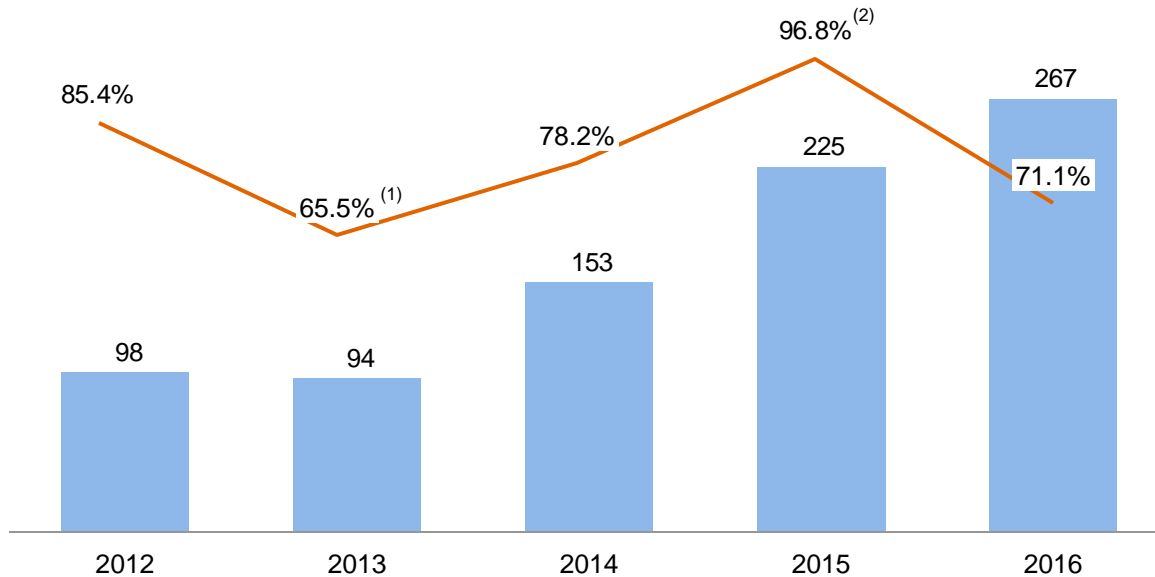
(1) Like-for-like stores includes all stores opened before 1 January 2016

### 3 Strong cash conversion



#### Cash conversion and operating cash flow

#### Key drivers



/// Low capital intensity

/// Fast payback for new stores

/// Negative working capital facilitates rapid growth

Source: Company Information

Note: Cash conversion defined as EBITDA +/- exceptional items +/- change in trade working capital +/- capex

(1) 2013 cash conversion lower than other years due to a ramp up in capex year-on-year compounded with a less positive than normal change in working capital

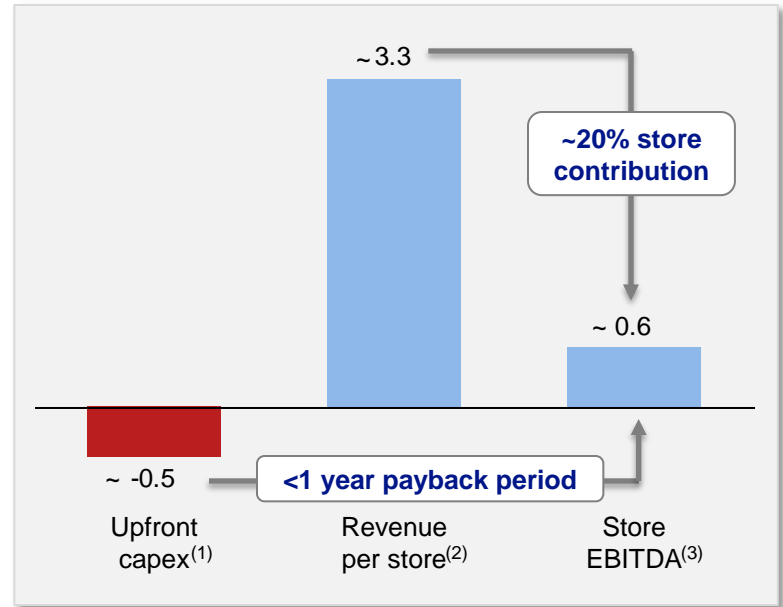
(2) Excluding 53rd week

### 3 Very short pay-back periods for new stores

#### Highly attractive new store dynamics

- /// Rapid sales ramp-up post-opening
- /// All stores EBITDA positive in the first year
- /// Real estate discipline driving low rent costs:
  - B/C Locations
  - At market or lower than market rent
- /// Low maintenance capex

#### Average payback of new stores



## ④ Strong economic model



### Low and centralized overheads

- /// Finance
- /// IT
- /// Supply Chain
- /// Buying

### Rigorous, uniform and tight financial governance

- /// One process for real estate
- /// CEO/CFO approve all new stores
- /// Daily performance tracking

**Proven**

**Consistent**

**Predictable**

**Robust**

**Cost consciousness embedded in our organization and a strong focus area for management**

## Action continued to deliver strongly in 2016

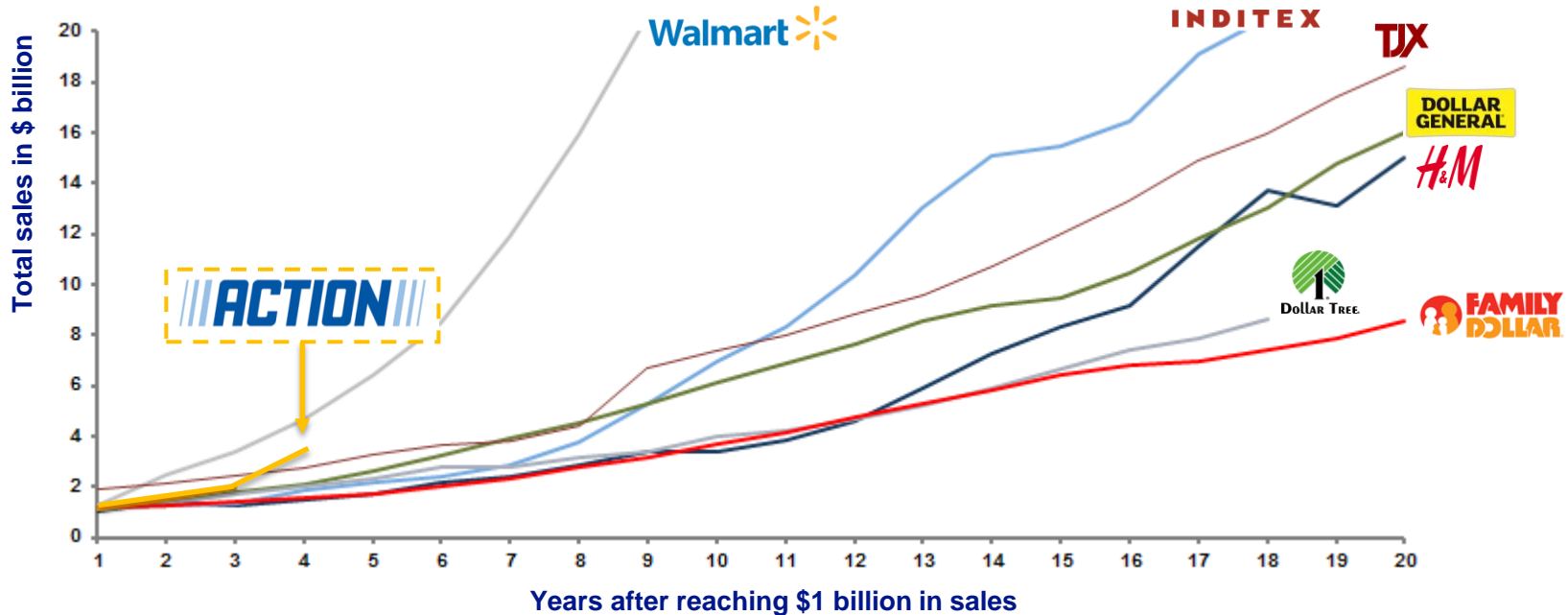


	2015	2016	Change
Sales (€m)	1,995	2,675	+34%
LfL sales growth	7.6%	6.9%	
EBITDA (€m)	226	310	+37%
EBITDA margin	11.3%	11.6%	
Cash flow from operations (€m)	225	267	+19%
Number of stores	655	852	+197

# Action presents a compelling long-term growth opportunity



Sales development of selected peers after reaching \$1bn in sales



Source: Company information, Factset

Note: Dollar General acquired Family Dollar (July 2015);

a TJX figures from 1988 post sale of Zayre to Ames; sales start from \$1.9bn

b Walmart data as of 1st of January 1985 - no data available prior to 1985

A large, stylized version of the ACTION logo, with the word "ACTION" in a bold, blue, sans-serif font, flanked by three vertical blue bars on each side.

Action is unique

Significant growth opportunities

We are able to deliver



We are proud