

3i Capital Markets Seminar

Action

19 March 2019



///ACTION





1. Introduction

Simon Borrows

2. Business performance 2018

Sander van der Laan

3. Strategy update

Sander van der Laan

4. Financial performance 2018

Joost Sliepenbeek

5. Wrap up

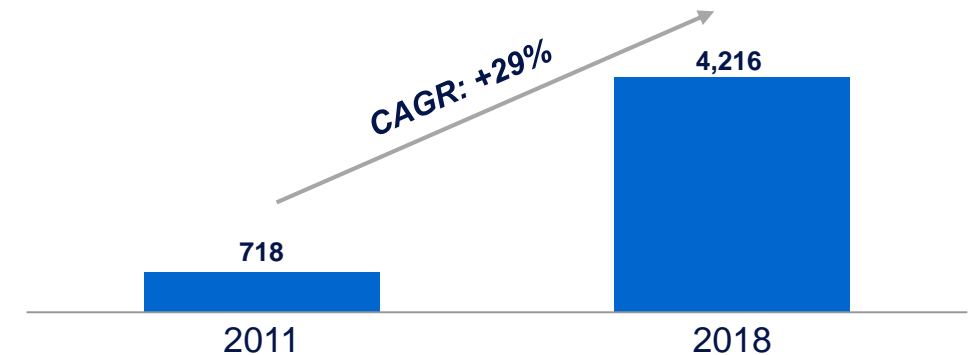
Simon Borrows

Action continues its growth trajectory under 3i ownership

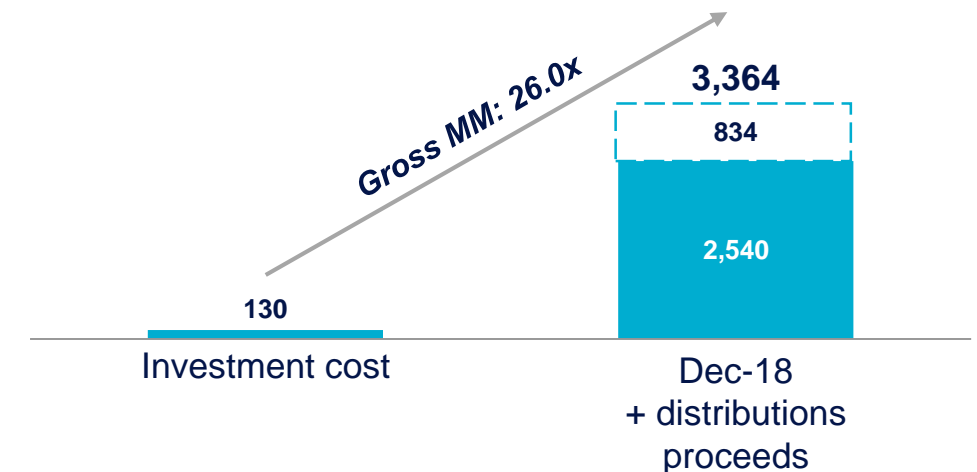


- Acquired from founders in a primary buyout in 2011 for 8.3x EBITDA
- 3i's carrying value increased to £2,540m at December 2018 (£2,312m, December 2017)
- Valued at 16.5x run-rate EBITDA multiple post liquidity discount
- 26.0x 3i gross money multiple at December 2018, including realisations up to that date⁽¹⁾
- 3i gross realised money multiple of 6.4x from £834m of distributions received since start of investment
- Action is an exceptional asset

Action sales (€m)



Action – 3i carrying value (£m)



Source: 3i Annual and Half-yearly reports.

(1) Valuation of remaining investment included in the multiple.

3i led governance focused on sustainable growth



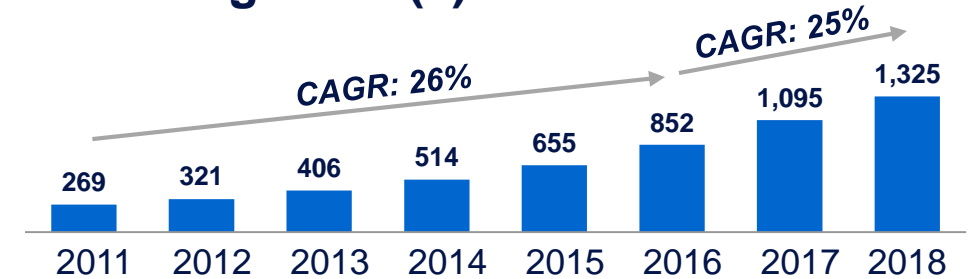
Milestones 2011-2016

- Transitioned from founders to professional management
- Strengthened the team and upgraded systems and processes
- Developed strategy for international store roll-out in several European countries

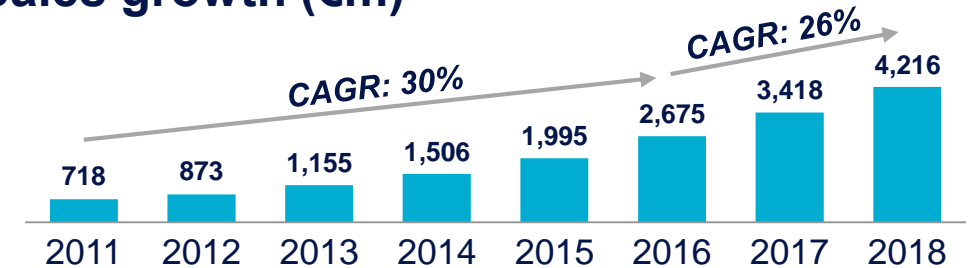
Milestones 2017-2019

- Focusing on growth in existing markets
- Moderating new store growth to allow investment in commercial and supply chain capabilities
- Accelerating investment in pan European distribution, end-to-end supply chain planning and other key capabilities
- Focused on building strong foundations for long-term growth

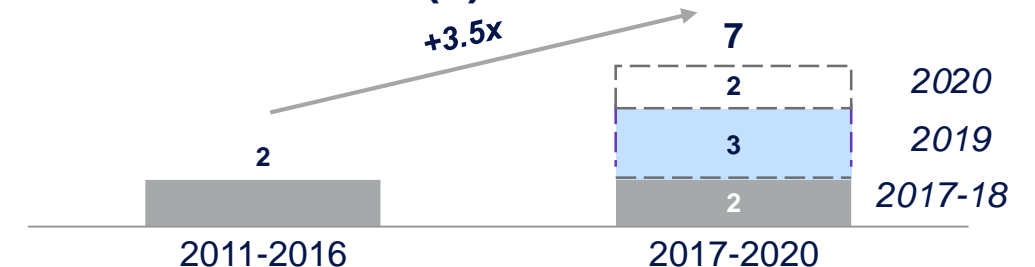
New store growth (#)



Sales growth (€m)



DC construction (#)



Today's presenters



Sander van der Laan
Chief Executive Officer

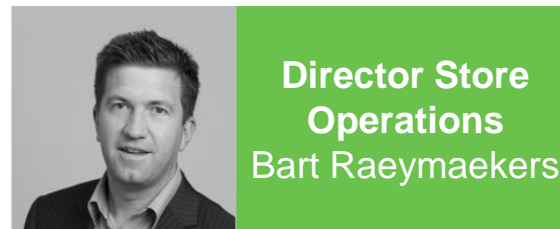
- Joined in October 2015
- 28 years of Consumer & Retail experience
- Various positions at Ahold (1998 – 2015)
 - CEO Albert Heijn (2011 – 2015)
 - COO Ahold Europe
 - General Manager Albert Heijn
 - CEO Giant Food Stores (Ahold USA)
 - EVP Marketing & Merchandising Albert Heijn
 - General Manager Gall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



Joost Sliepenbeek
Chief Financial Officer

- Joined in November 2018
- 18 years of Consumer & Retail experience
- 31 years experience in finance, 19 years as CFO
 - CFO Vion (2015 – 2018)
 - CFO Van Gansewinkel (2013 – 2015)
 - CFO C1000 (2009 – 2012)
 - CFO HEMA (2007 – 2009)
 - CFO Albert Heijn (1999 – 2003)
 - Various positions at Ahold (1994 – 2007)

We have strengthened our EB, bringing in multi disciplinary experience



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Simon Borrows

2018 was another year of strong performance



€4,216

**Million
net sales
+23%**

3.2%

**Like-for-
Like sales
growth
(Q4: 4.4%)**

€450

**Million
Operating
EBITDA**

230

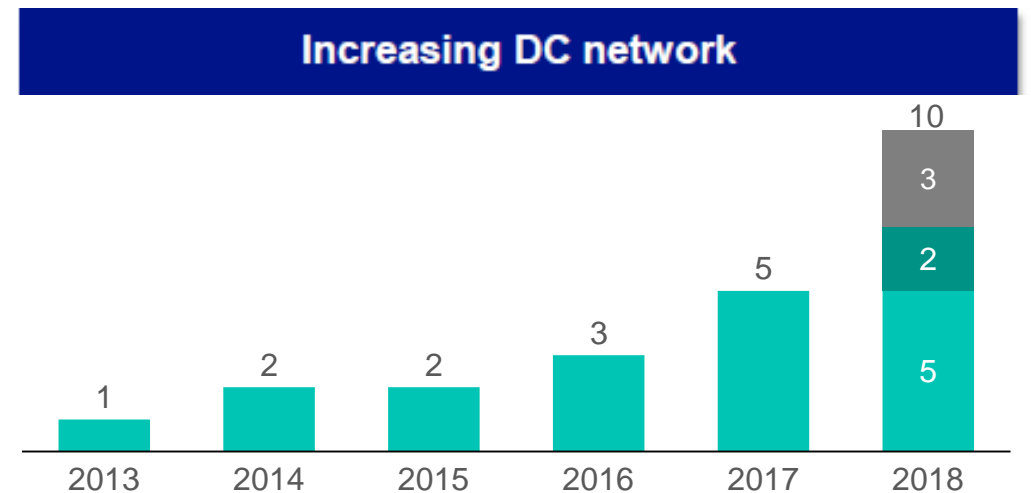
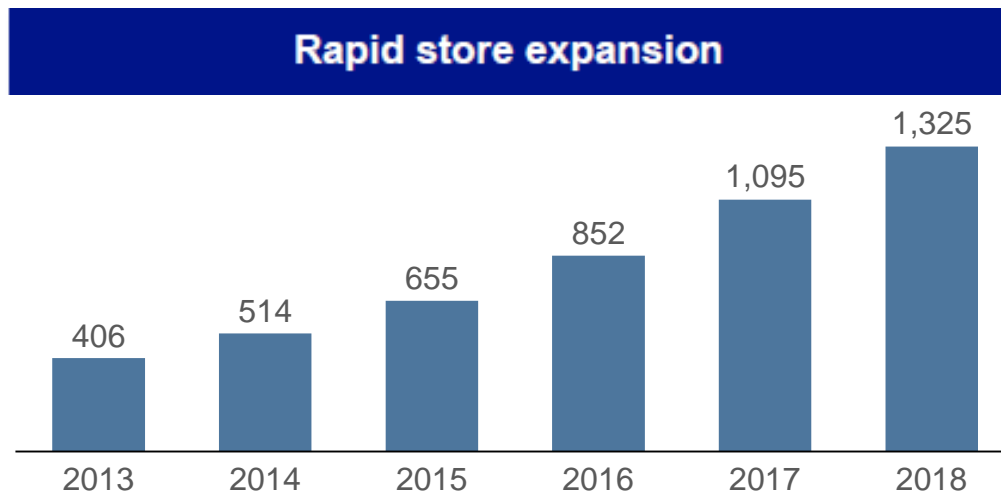
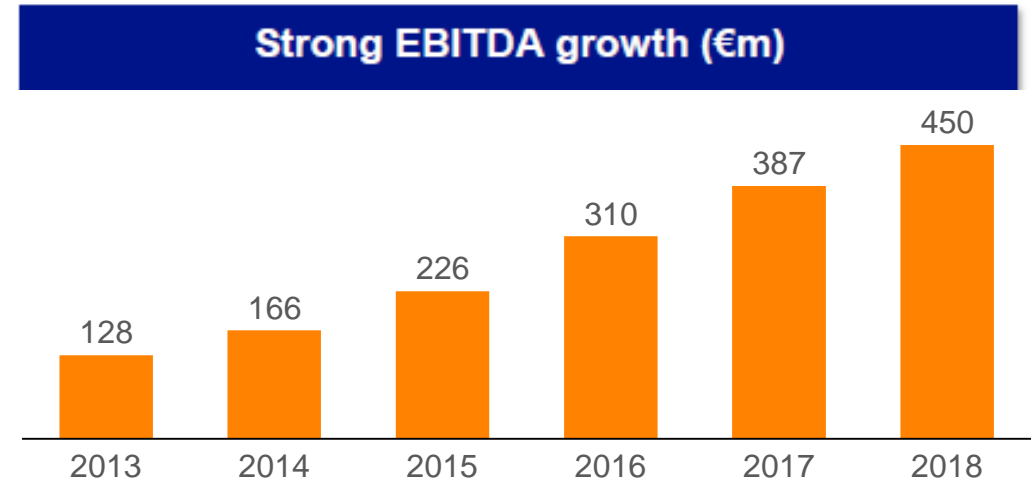
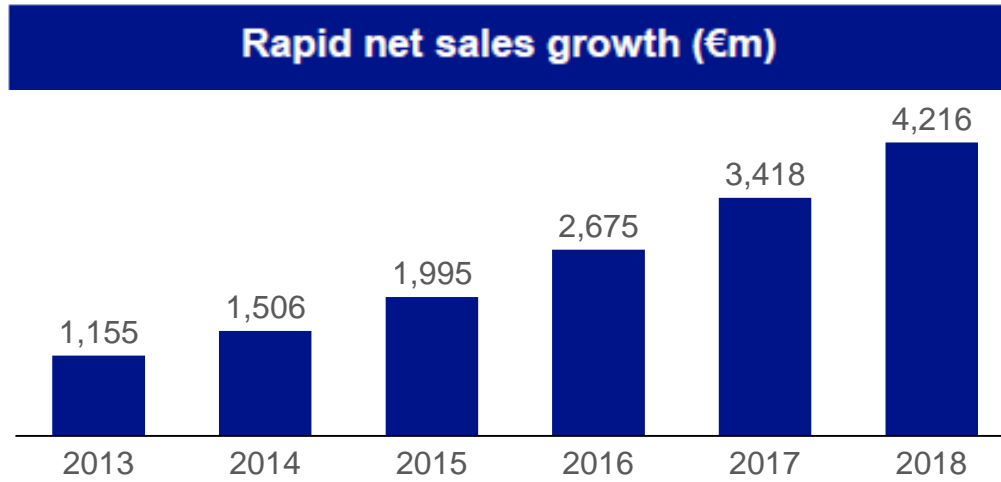
**Stores
added**

70%

**Cash
conversion**

**Significant investments in organisational
capability and Supply Chain**

Our high growth track record continues



■ DCs opened before 2019 ■ DCs to be opened over the next 12 months
■ DCs opened in 2019

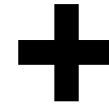
Results of 2018 could have been even stronger

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Supply Chain challenges

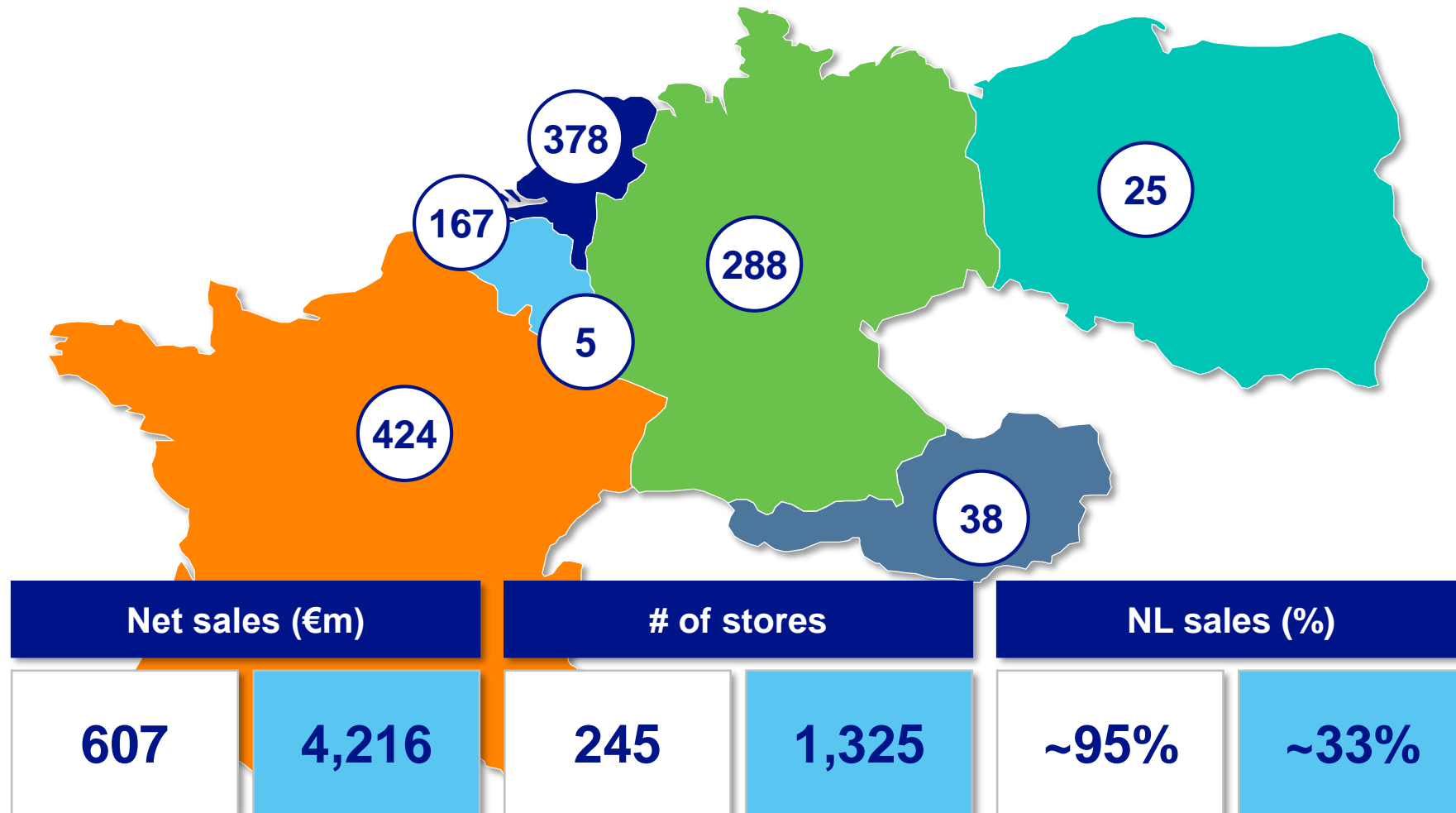
Specific category stock issues

External



**Investments in
organisational
capability**

In 2018 we added another 230 stores, continuing our strong geographic expansion

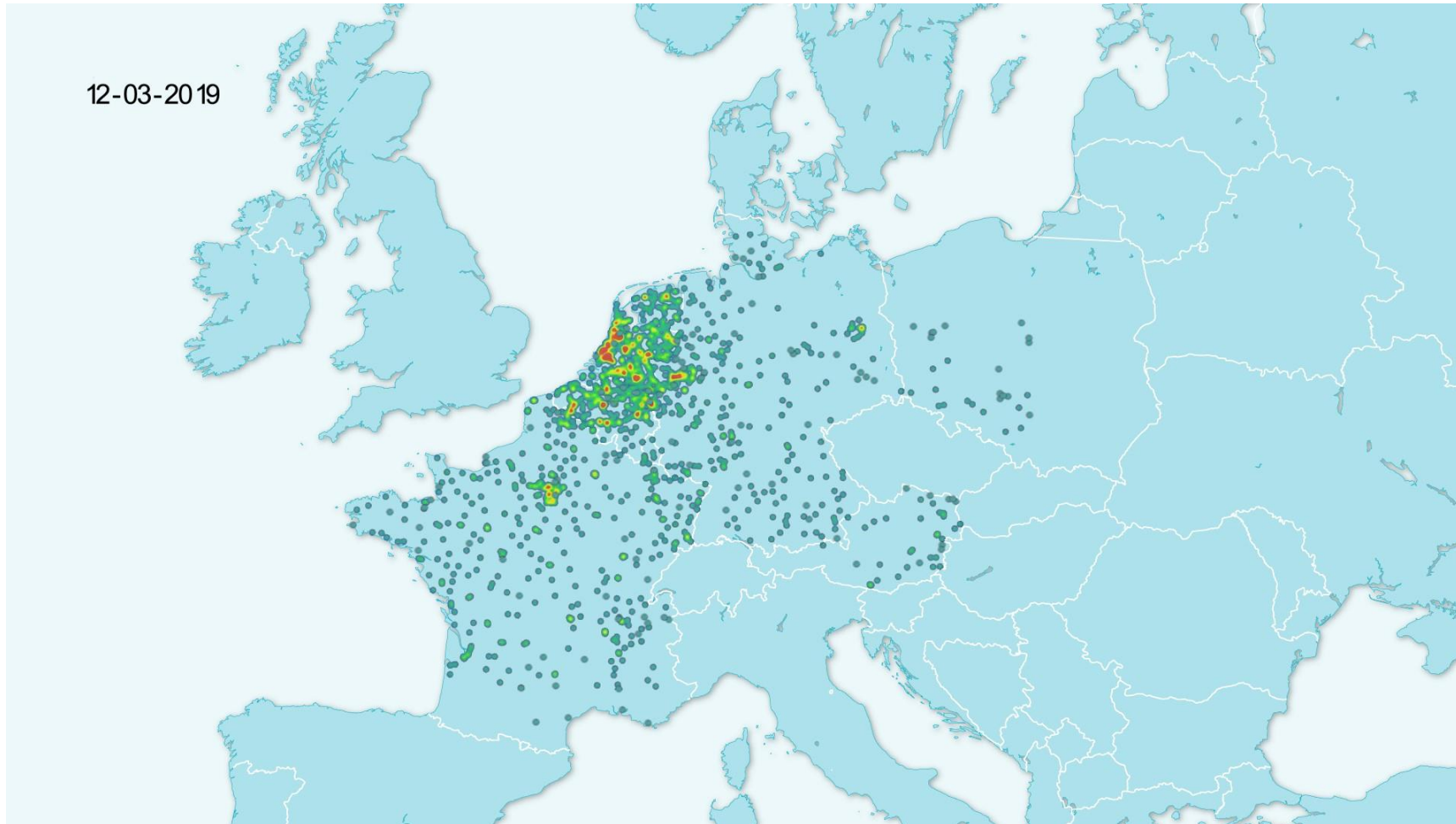


□ 2010

■ 2018

○ # of stores (31-12-2018)

This brings our total number of stores to 1,325 in 7 countries



Brignoles
900m² - opened wk 36 with €219k sales¹



Marseille (Cabriès)
1,200m² - opened wk 4 (2019) with €254k sales¹

DC expansion – accelerated from 2 DCs in 2016 to 7 DCs currently with 3 more to open before the end of 2020



DCs opened in or before 2018

DCs open in 2019

DCs to open in 2020



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Simon Borrows

Customer behaviour is rapidly changing



We need to stay consistent, open and agile to remain up-to-date and competitive

Our strategy

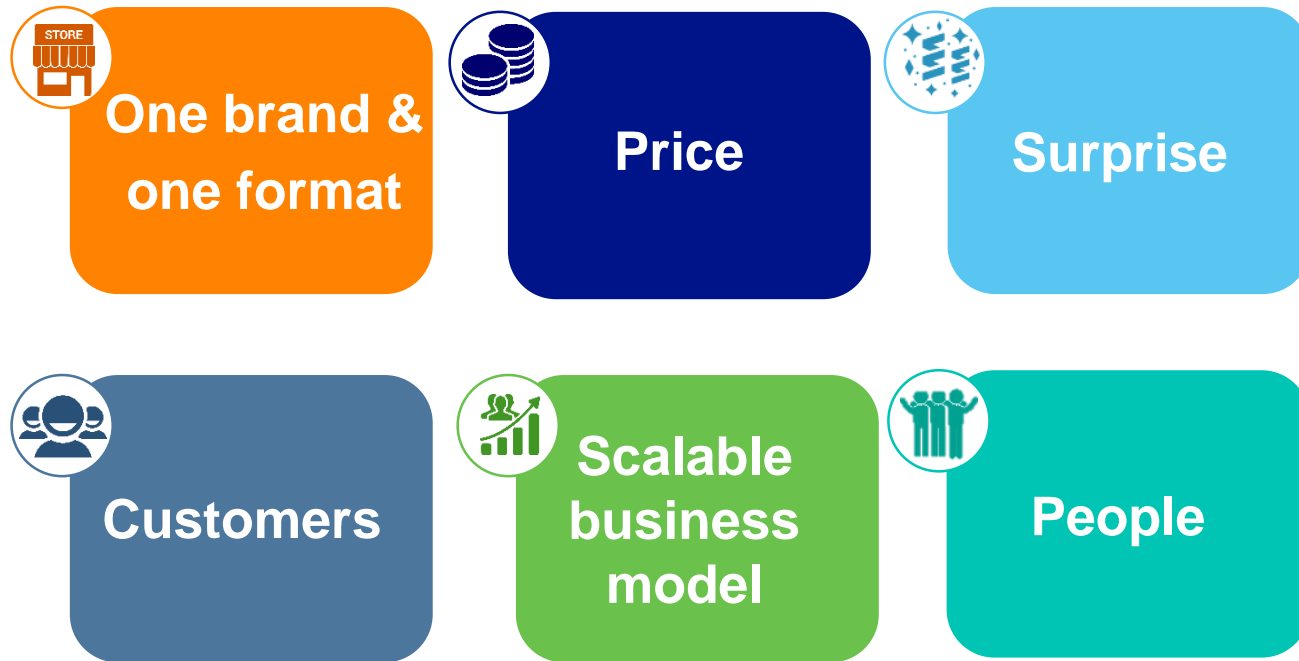


- 1 Strengthen our unique customer value proposition
- 2 (International) geographic expansion



- 3 A cost-effective, simple, scalable and responsible business model that delivers our strategy
- 4 Organisation, people and culture

Unique business model providing sustainable competitive advantage





One concept across all countries



1

brand

1

store format

1

store
operating
model

- Stores between 700 to 1,100 sqm
- More than 90% of product range is the same across all stores, all countries
- 2/3 of product range is changing, 150-200 new articles/ week
- Wide lanes, low shelves and pleasant store lighting lead to an enjoyable shopping experience





We continuously improve the customer experience



- Refreshed Action logo
- Brighter and lighter store environment:
 - New floor tiles
 - More daylight
 - No ceiling
 - More colourful
 - New signing
- Energy friendly LED lighting, reducing electricity consumption by 40%
- Applied in new stores and stores that are due for regular refurbishment
- Results:
 - Positive customer feedback
 - Increased sales
 - Neutral in CAPEX

14 categories with continuously changing products

///ACTION



- Overall 3.2 % LFL in 2018. Healthy LFL growth in all markets
- Our operating model allows us to switch to new categories
- Within categories, products change continuously over the year
- Within categories, focus on:
 - Price
 - Surprise (newness)
 - Quality



We manage our categories in a dynamic manner

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Strong performers 2018

Sports



Successful introduction of new category with strong sales performance. Additional opportunity in vitamins

Clothing



Significantly reduced fashion. Strong performance despite space reduction, additional potential in basics, body- and legwear

Toys



Benefited from warm summer, potential destination store. Opportunities in diversification of product range and A-brands

Require attention

Decoration



Strong on awareness and surprise, however more focus on rationalisation of product range and introduction of new private labels

Food & Drinks



Some price pressure for A-brands, focus on volume items, instore presentation and more country specific product range



Unbeatable prices offered to our customers

///ACTION

Retro LED light 349



Decorative LED
DIMMABLE
GOLD
E27
320 LUMEN
4 WATT / 240 VOLT

62% cheaper
compared to competing product
at discount furniture shop¹

Dreft detergent 089



Product with
comparable specs
at supermarkets:
>€ 2.00

Skyler dog food 036



Premium
brand:
€ 1.00

Kettlebell 6kg 595

At (discount)
sports shops:
€ 14.99²



**Carex 5L winter
screenwash 279**



**Volume: ca. 1m
cans/ year**

**Werckmann claw
hammer 299**



€9 - 15
for products with
comparable specs at
Dutch DIY stores

**Panasonic AA 179
Batteries**



**Volume: ca. 7m
batteries / year**

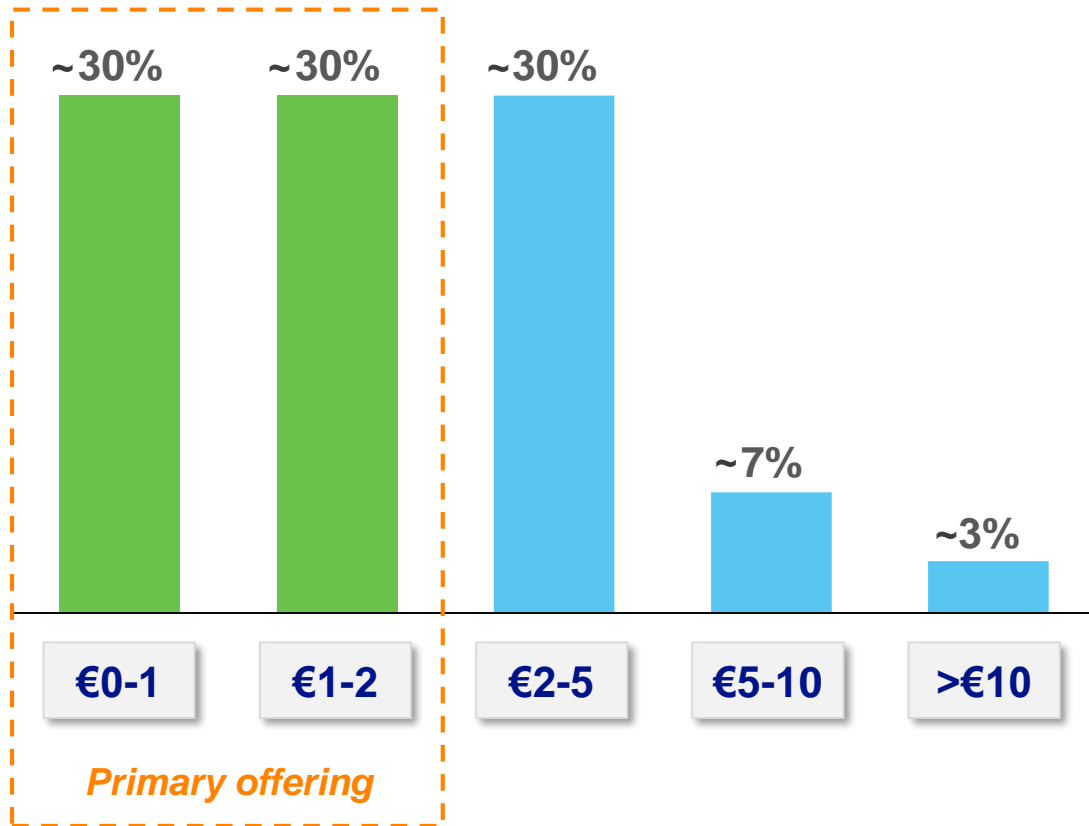
(1) Compared to closest comparable product: 400 lumen vs. 320 lumen
 (2) Private label 6kg kettlebells



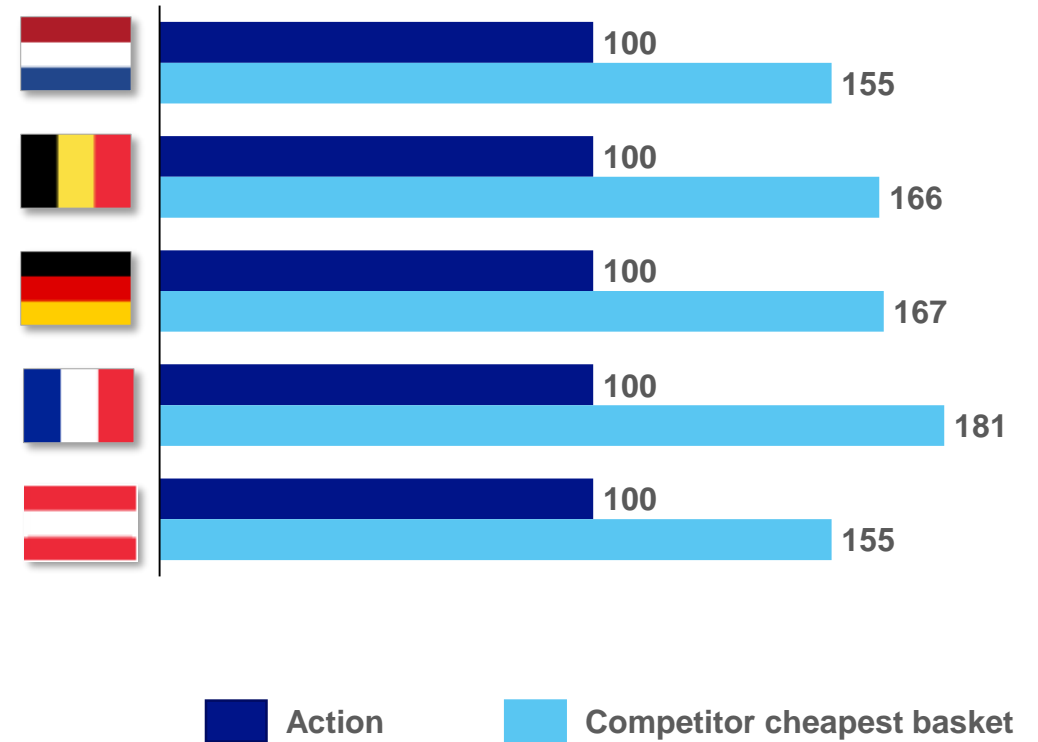
Unbeatable prices offered to our customers



% of products in different price ranges

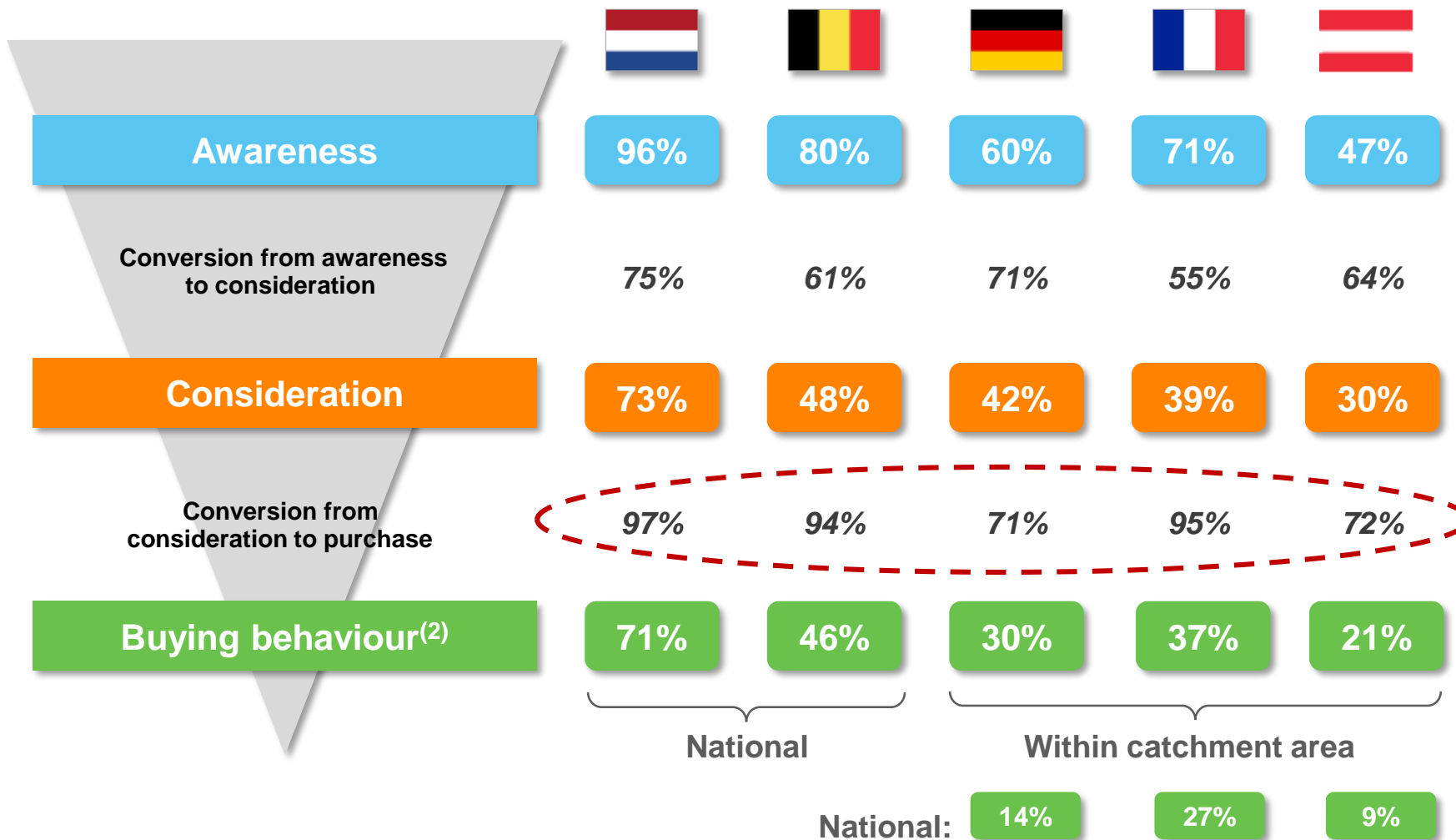


Unbeatable prices for competition





Strong brand with a very strong conversion towards buying at Action



(1) GfK Image and Awareness Study December 2018 / Source: Company information
 (2) % clients that purchased one or more products at Action in the previous six months



Significant investment in private labels with a focus on an integrated approach



New labels



Personal Care

MAX&MORE

Personal Care



Personal Care



Garden & outdoor



Decoration



Decoration



Pets



Linen



DIY



Sports



Food



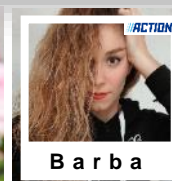
Food

- Investing significantly in our private label portfolio; added 12 private labels in 2018
 - Strong LFL and margin performance
 - Improves customer perception
- Improve brand perception through quality packaging (artwork, material, functionality)

Focus on integrated approach



MAX&MORE



New integrated marketing approach



- Integration between offline and online to optimise brand proposition
- Increase consistency in communication
- Marketing LFL driver: increase frequency and ticket amount
- One new 'European' bi-weekly flyer, distributed in our entire market area as of week 12-2019
- Roll-out of same look-and-feel with digital touchpoints in 2019

ACTION
kleine prijzen, grote glimlach

lente bij Action
EXTRA LEUK

opvouwbare step met anti-sliplaag en snelle rem vanaf 3 jaar
weekactie **895**

paasnutselset maak je eigen ei springfiguur ind. stickers, verf en kwast
weekactie **079**

4 kleuren!
172

celebrations paashaas 215 gram 1 kg = 12,98
weekactie **279**

insectenhotel diverse kleuren ca. 13,5x8,5x26 cm

onze weekacties geldig van woensdag 20 maart tot en met dinsdag 26 maart 2019

Pasen bij Action
EXTRA LEUK

laat je verrassen bij Action en maak Pasen dit jaar extra leuk!

maak je eigen paasplunger
079

Easter Moments paasplunger
169

kippenhok met chocolade kippen
079

paas servetten
099

XXL tafelplaat
299

paasplunger
083

paasdecoratie
029

houden paashaas
199

groei-ei
079

14x25x9cm
495

celibrations paashaas 215 gram 1 kg = 12,98
279

harduorpakket
199

Solo bestekset
1995

kanten tafelkleed
495

laat je verrassen bij Action en maak het buiten dit jaar extra leuk!

EXTRA LEUK

matraslussen
249

tuinmeubel
059

solar lantaarn
286

EXTRA ZACHT

EXTRA ZOMERS

EXTRA PLEZIER

EXTRA SNEL

EXTRA VROLJK

vlieger
129

kinderstoel
239

skateboard
1295

trouwfiel
479

matraslussen
1695

bierstoel
1295

zomer spiegel
595

damesbroek
479

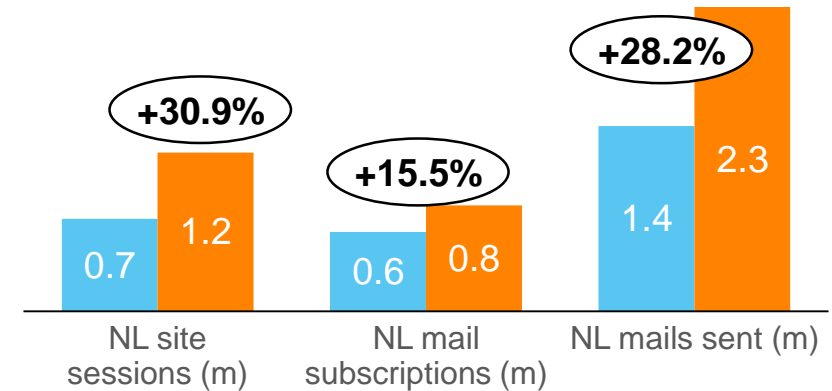
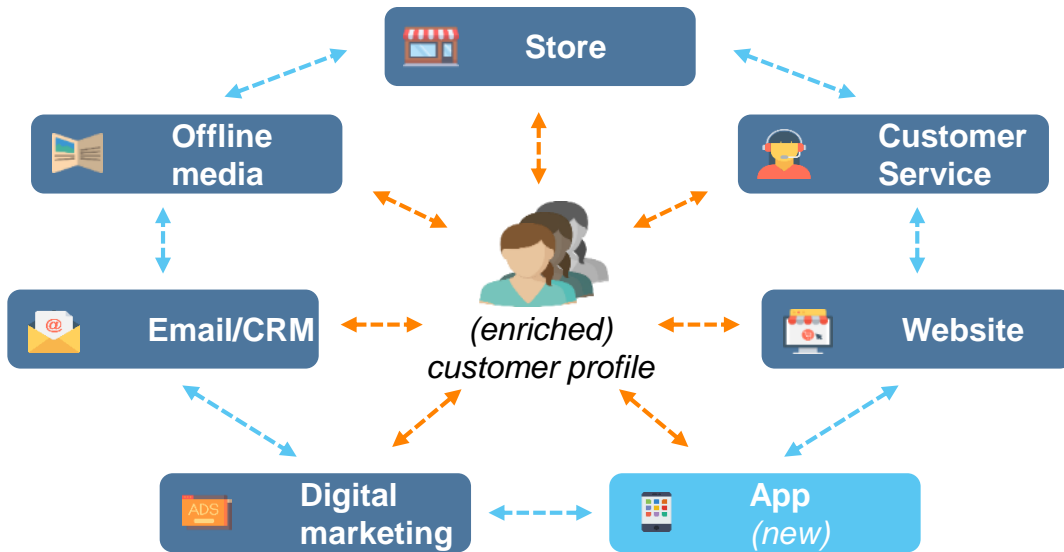
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trouwfiel
299

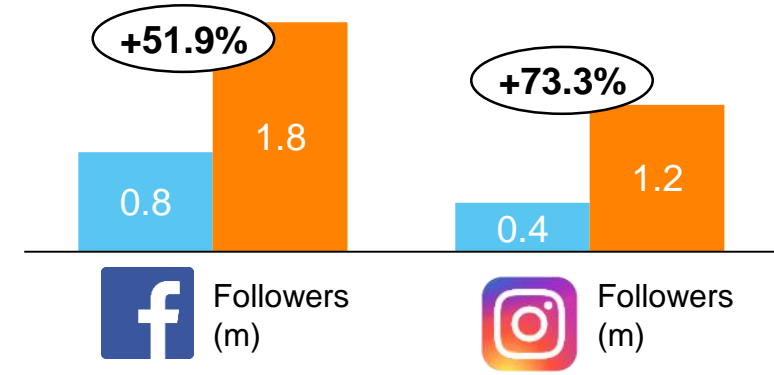
dames tuitkomp
299

dames instapper
479

Our digital strategy is focused on improving the digital customer interface and strengthening ROPO¹



Digital visibility and interaction drives more customers to our stores



- Established cross functional digital unit to lead our digital transition (more than 30 roles)
- New marketing director and digital director have started

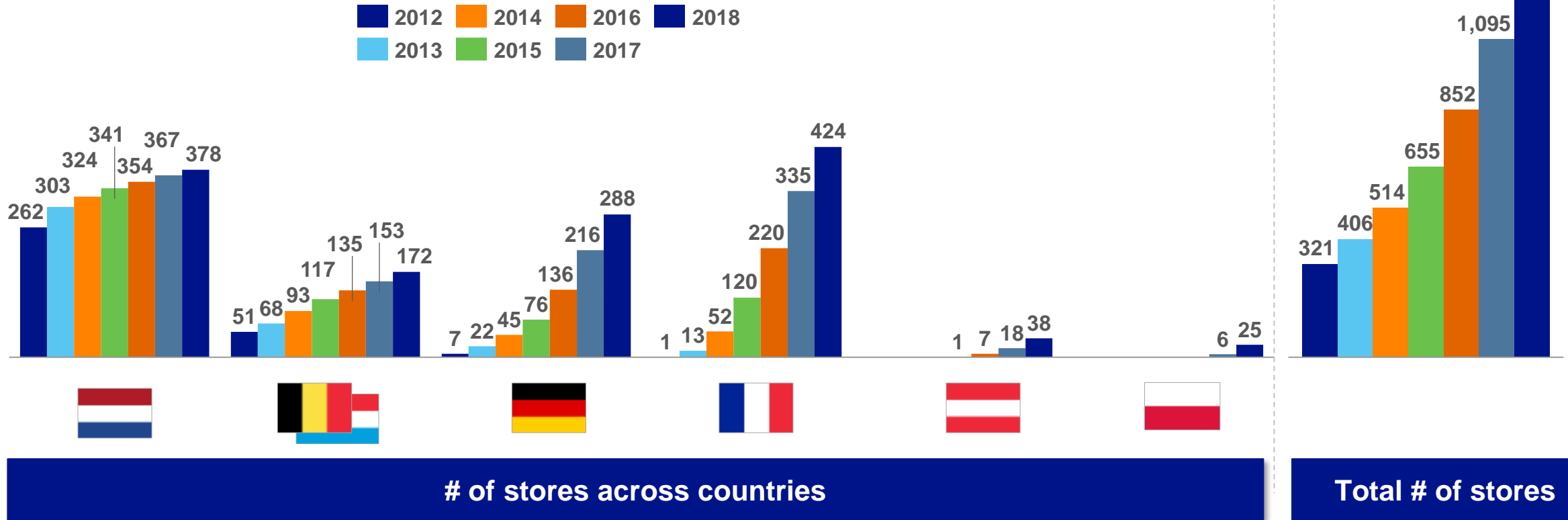
2017 2019 CAGR%

(1) ROPO: Research Online, Purchase Offline



Proposition travels across borders, allowing fast roll-out in several countries simultaneously

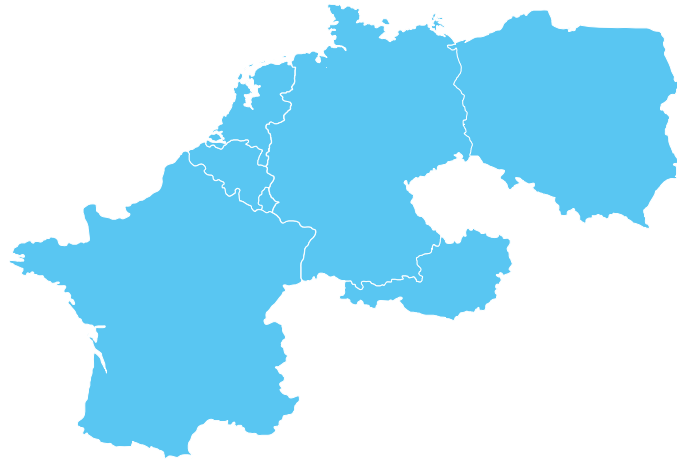
ACTION



We continue to see potential for significant expansion in current and new markets in the next 5 years

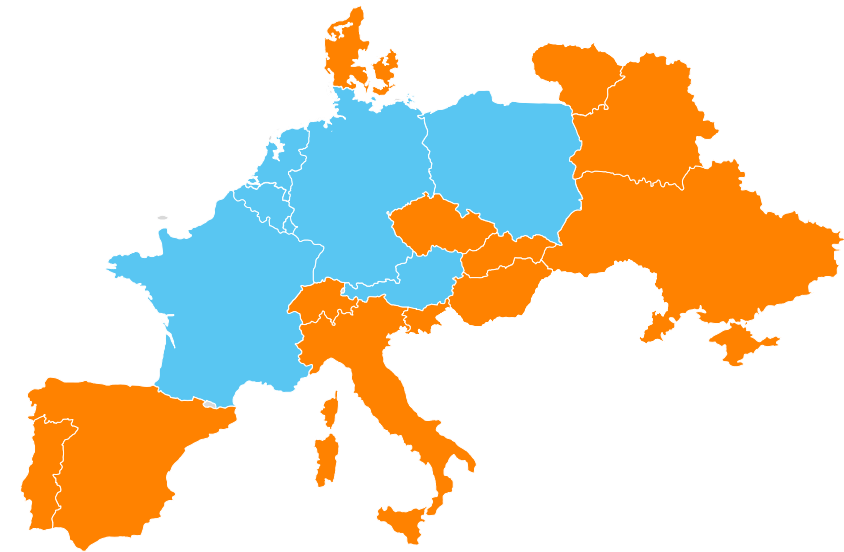
///ACTION

Existing markets



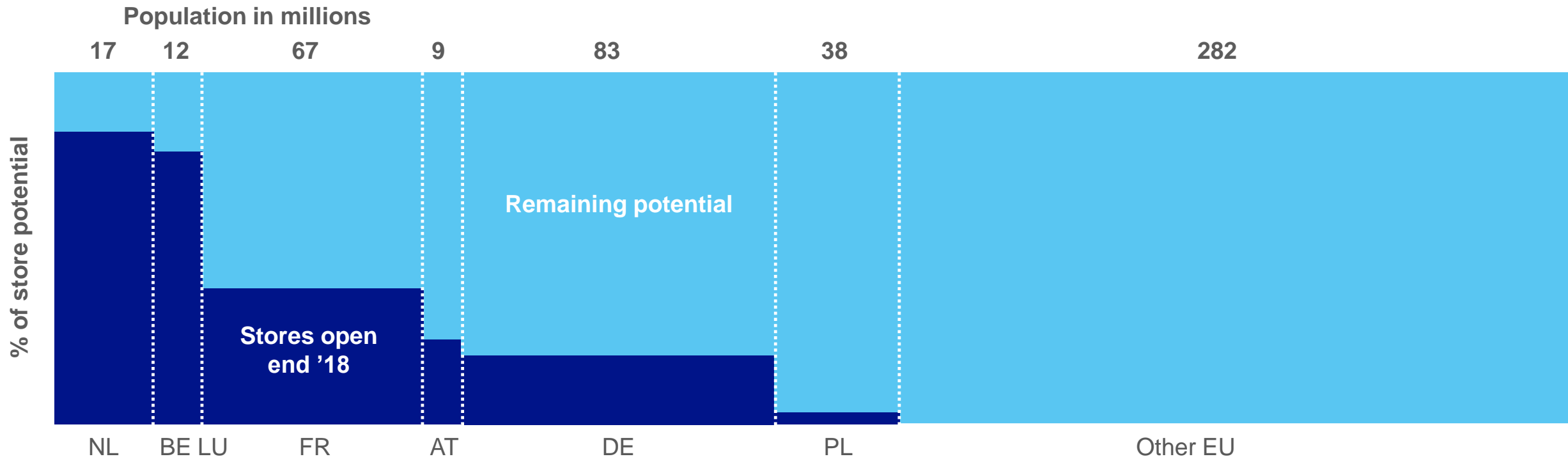
We aim to double our store network

Potential new countries



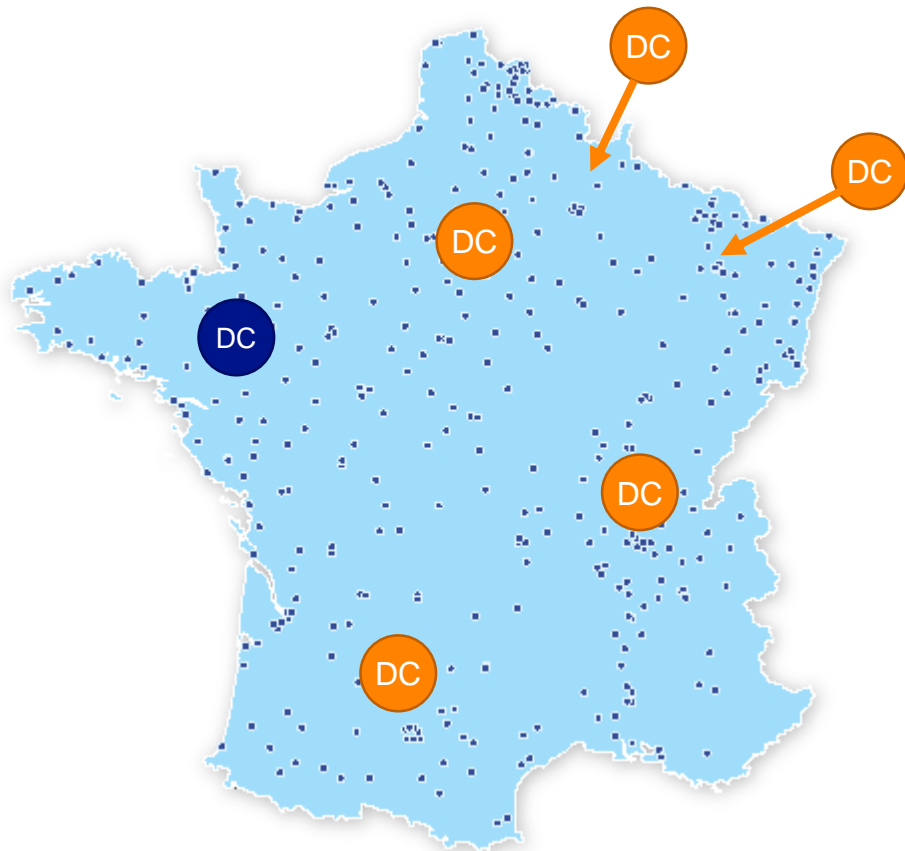
In 2020 we will enter country # 8 and we will continue to enter new countries afterwards

Still ample potential in existing and new countries

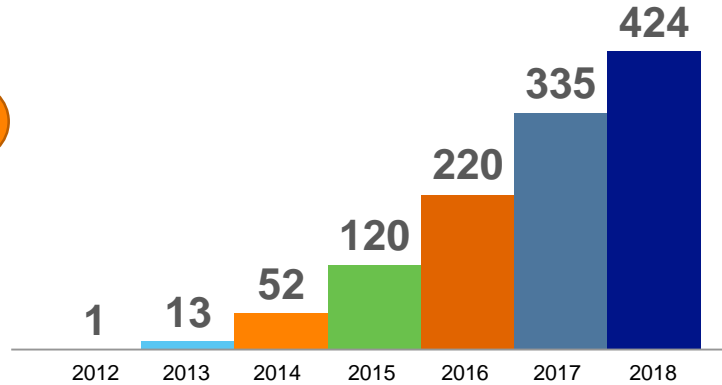




France: We have opened our 424th store in France in 2018, 6 years after entry



- Existing DC, delivering to country
- DC to be opened 2020

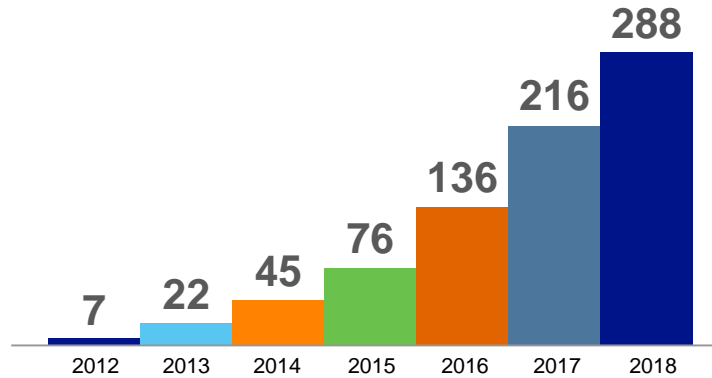
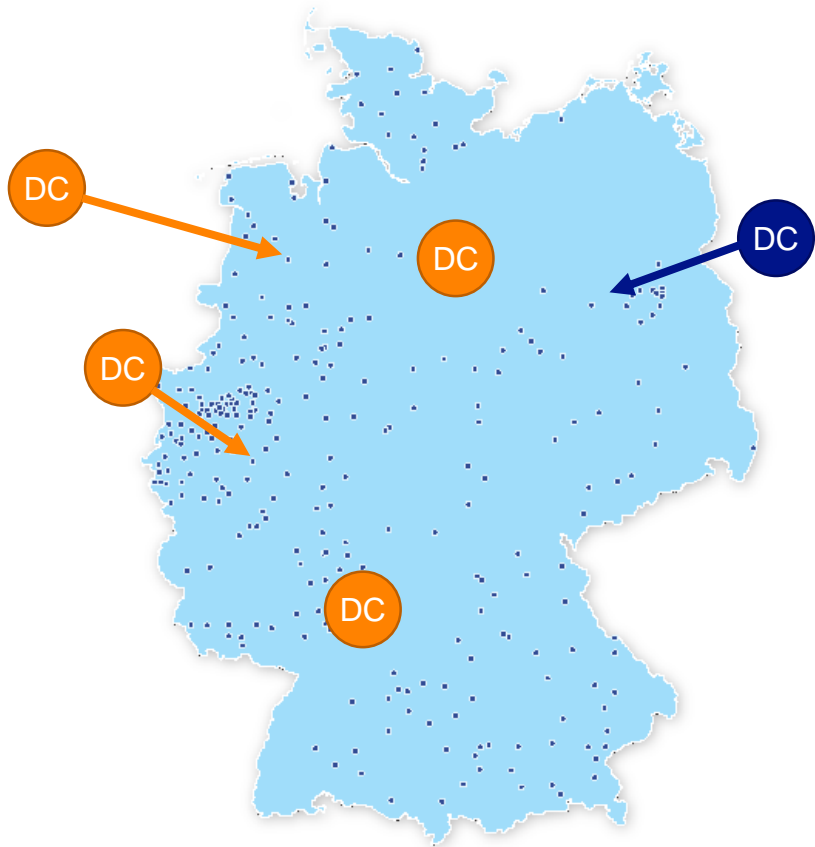


• Population	67.0m	17.1m
• Action stores	424	378
• Population per store	158k	45k

- 89 new stores in 2018
- New country office in Paris
- 3 distribution centres operational in France in 2019, 2 others supply to France
- Significantly strengthened management
- We are now a nation-wide retailer





Germany: We have opened another 72 stores and are the fastest growing retailer in the country



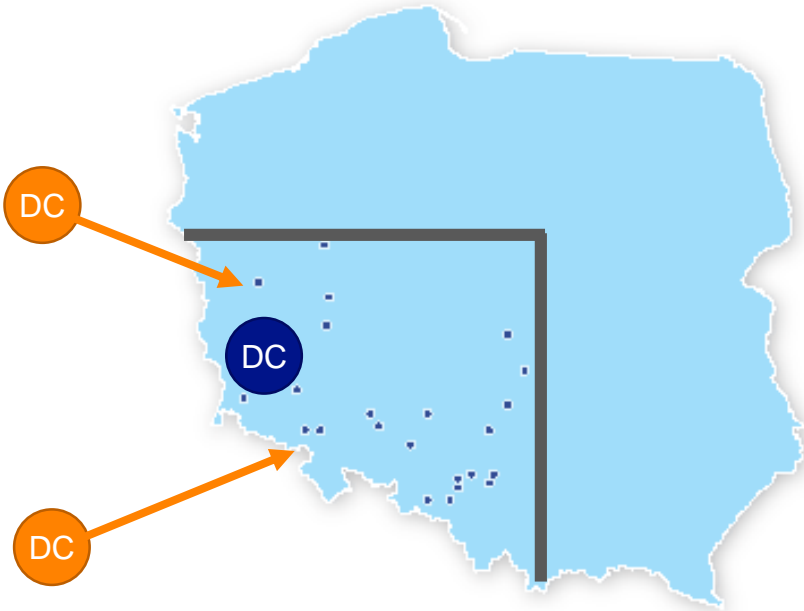
		
• Population	82.8m	17.1m
• Action stores	288	378
• Population per store	288k	45k

- Country entered in 2009
- 72 new stores in 2018
- 2 distribution centres operational in Germany: Biblis and Peine (opened in 2019)
- 2 DCs in other countries deliver to Germany as well

-  Existing DC, delivering to country
-  DC to be opened in 2019

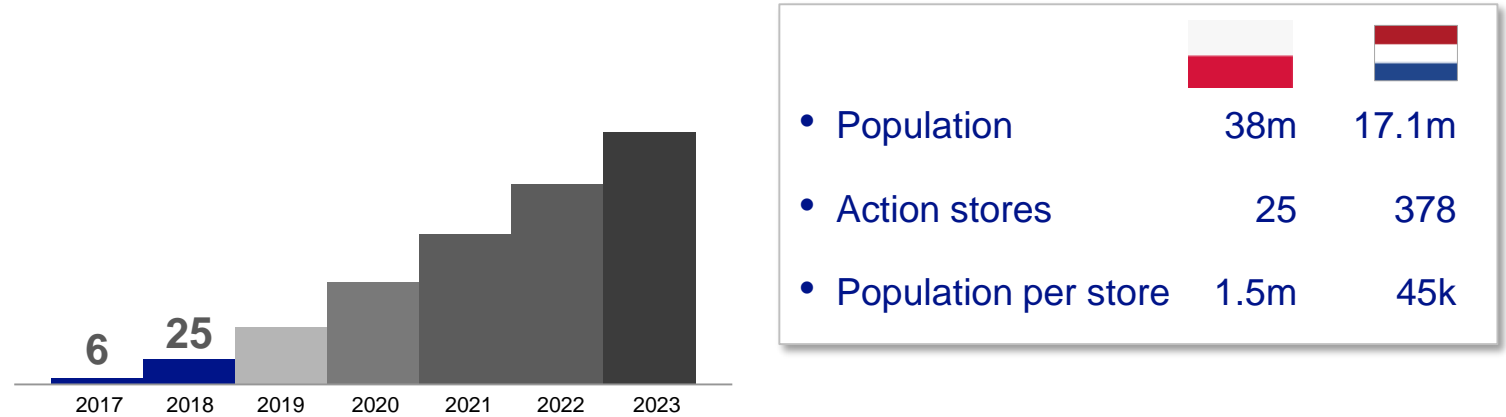


Poland: First 25 stores opened and we are ramping up for further roll-out



Population of ca. 17m in attractive market surrounding DC Osla

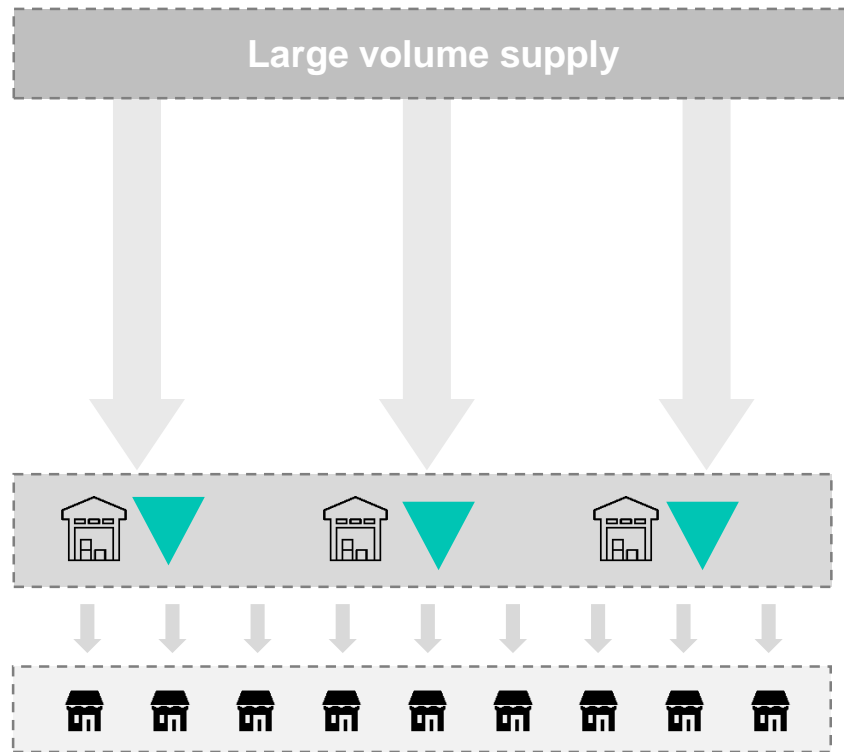
- Existing DC, delivering to country
- DC to be opened in 2019



- Successful pilot in 2017, roll-out started in defined geography
- Established strong Polish team to facilitate further expansion
- Opened country office in Katowice
- Positive results: average number of customers per store in 2018 higher than in Austria and Germany for LFL stores
- Opening of DC Osla in Q3 - significant reduction of transportation costs (Biblis ca. 650 km, Peine ca. 400 km) and lead times

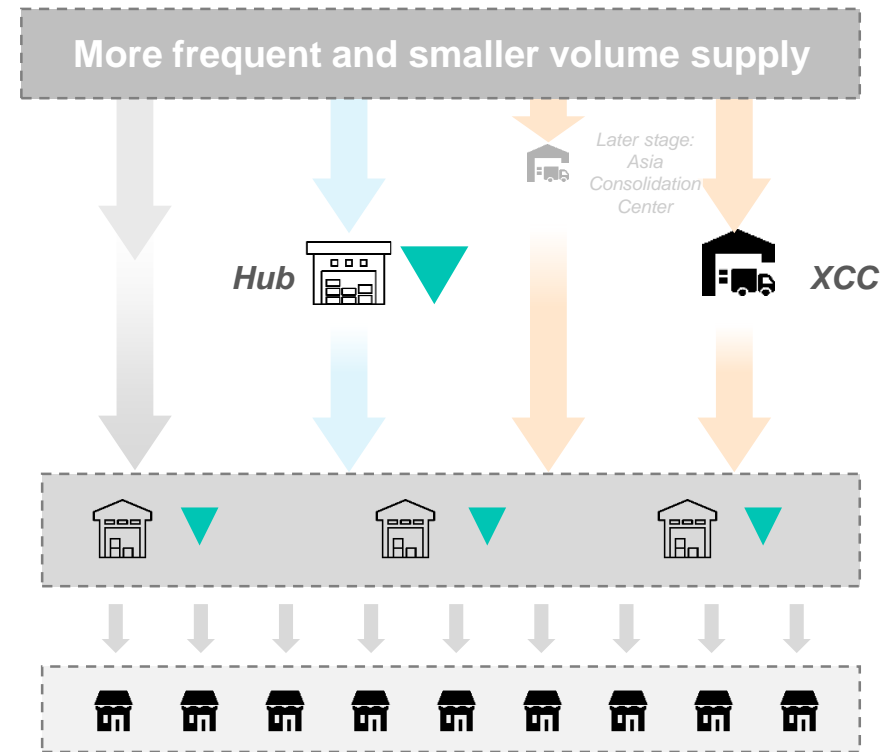
Develop Multi-layer DC network with hubs and XCCs

Current network with one direct stream to DCs and stock kept downstream



Future network with hubs and XCCs for differentiated streams and stocks kept upstream

Suppliers



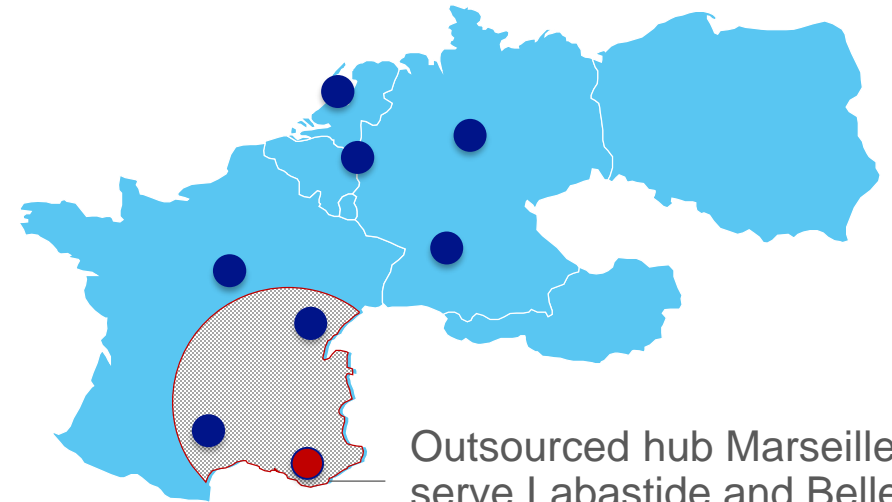
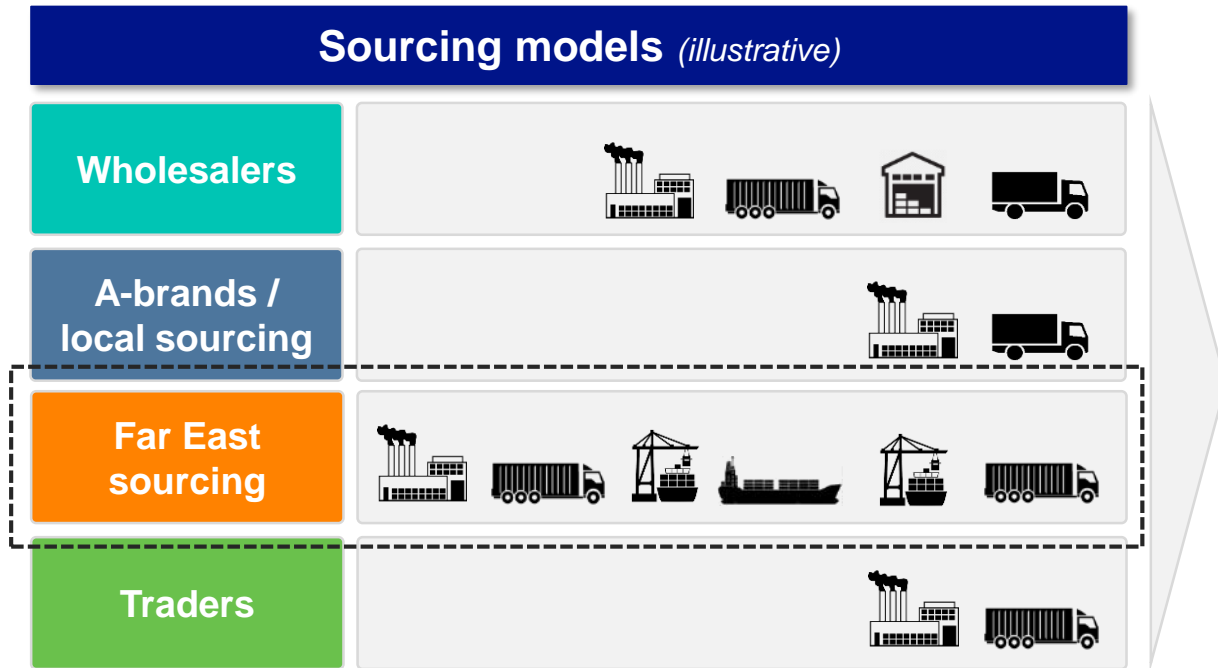
DC Layer

Store network

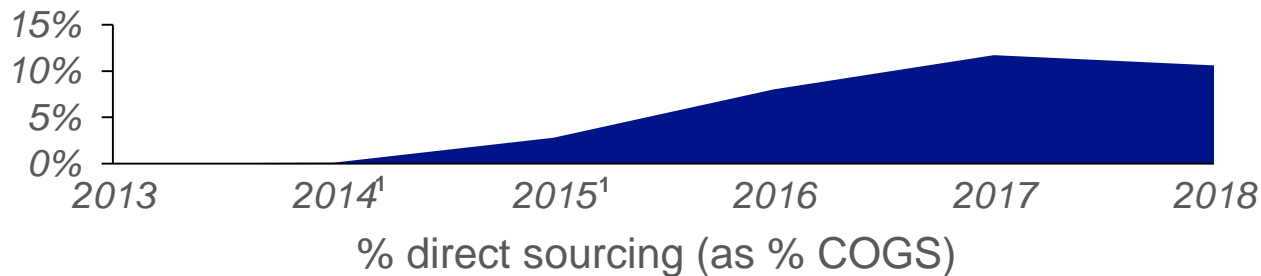
Legend: Hub XCC DC Store Large Inventory Small Inventory



Continued growth of our Direct Sourcing volumes from **ACTION** the Far East, enabled by outsourced hubs in network



Outsourced hub Marseille will serve Labastide and Belleville

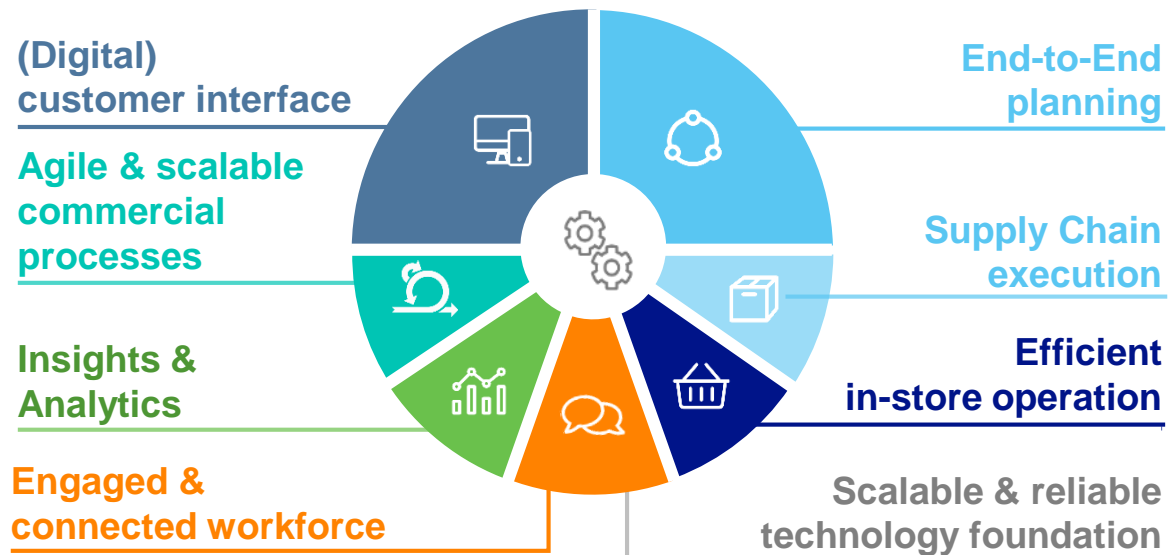


- A hub receives large inbound volumes for multiple DCs
- Central inventory keeping: decreases inventory in chain
- Deconsolidation of inbound containers & palletising
- Enables late allocation of inventory to DCs through central stock holding, also stabilising the SC
- Facilitates higher service levels to stores and enables direct sourcing growth



We continue to make significant investments in IT to be future proof

///ACTION



- Today we have a strong technology foundation ready for growth for transactional based processes:
 - Point of Sale, distribution centres, ERP, reporting, etc.
- But fairly limited capabilities in automation and digitalisation of key commercial and E2E supply chain planning processes
- We are investing in our IT foundation and are building:
 - End-to-End planning systems
 - SC support systems (e.g. EDI)
 - Digital Customer Interface
 - In-store systems (piloting: self check-out, guided store ordering)

For Store Operations we have started several initiatives to improve our processes and efficiency



On-shelf availability

- Top 500 availability
- Strengthen supply chain
- Cross functional E2E program running to improve availability



Commercial stores

- Improved presentation guidelines
- Format 2.0
- Continued focus on customer friendliness



Efficient store processes

- Satisfaction 2.0
- Rollout new workforce management system: Kronos
- Preparing for HR SuccessFactors
- Piloting self check-outs



Engaged people

- Labour challenges
- Hourly rate under pressure
- HR tools
- Recruitment website & tools

Continued focus on Action Social Responsibility



Product

Our products are safe and responsibly sourced



Environment

We minimise our environmental impact across the supply chain



People

We are a responsible employer



Good citizenship

We contribute to society and serve local communities

We source our products responsibly and minimise our impact on the environment



Products



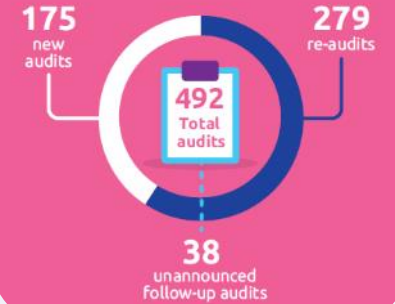
- **Responsible sourcing** with Action's Ethical Sourcing Policy
- **Sustainable policies: timber, cotton and chemicals**
- **Sustainable quality labels:** FSC, UTZ, Öko-tex, PEFC, Fair Trade, FS, EKO, EU Organic

Number of factories directly producing for Action



454

Number of audits



Environment



- Energy-saving lights in store **reduce energy consumption by 40%**
- Double decker trucks **carry 60% more freight** than ordinary trucks
- DCs equipped with **solar panels**¹
- Recycling **cardboard and plastic** from stores



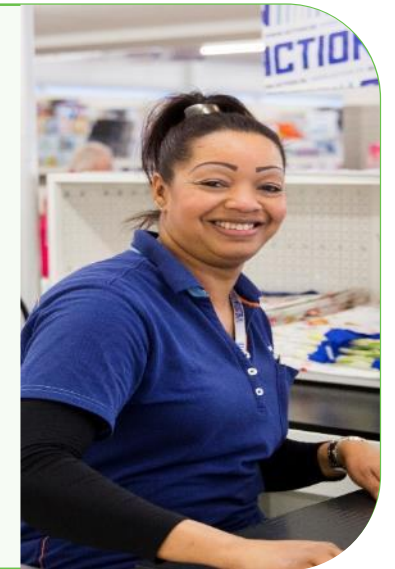
We pride ourselves on being a responsible employer and contribute to society



People



- **46,000 employees**
- **129 nationalities** in stores, distribution centres and offices
- **24,500 participants** in training courses
- **Internal promotions:**
 - 695 store employees → assistant store manager
 - 249 assistant store managers → store manager
- **Action scholarship fund**



Citizenship



- In 2017 partnership signed with **SOS Children's Villages**
- For every store we sponsor **1 SOS child/ village**
- Several **international** and **national** local initiatives **sponsored**



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- | | |
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| 5. Wrap Up | Simon Borrows |

Action's repeatable economic model



1

Clear value drivers

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

2

Superior store economics

- *Consistent gross margin across categories*
- *All Like-for-Like stores profitable*
- *Fast pay back*

3

Excellent cash generation

- *Low capital intensity*
- *Negative working capital*

4

Strong economic model

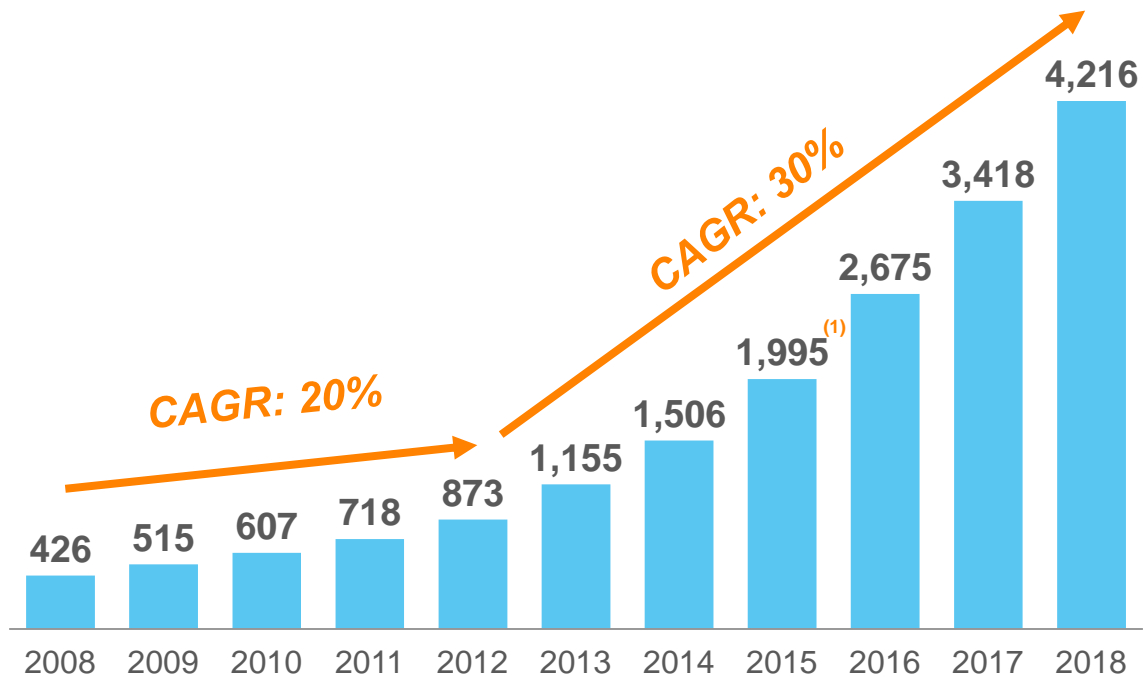
- *Proven*
- *Consistent*
- *Predictable*
- *Robust*

Tight centralised financial governance and control

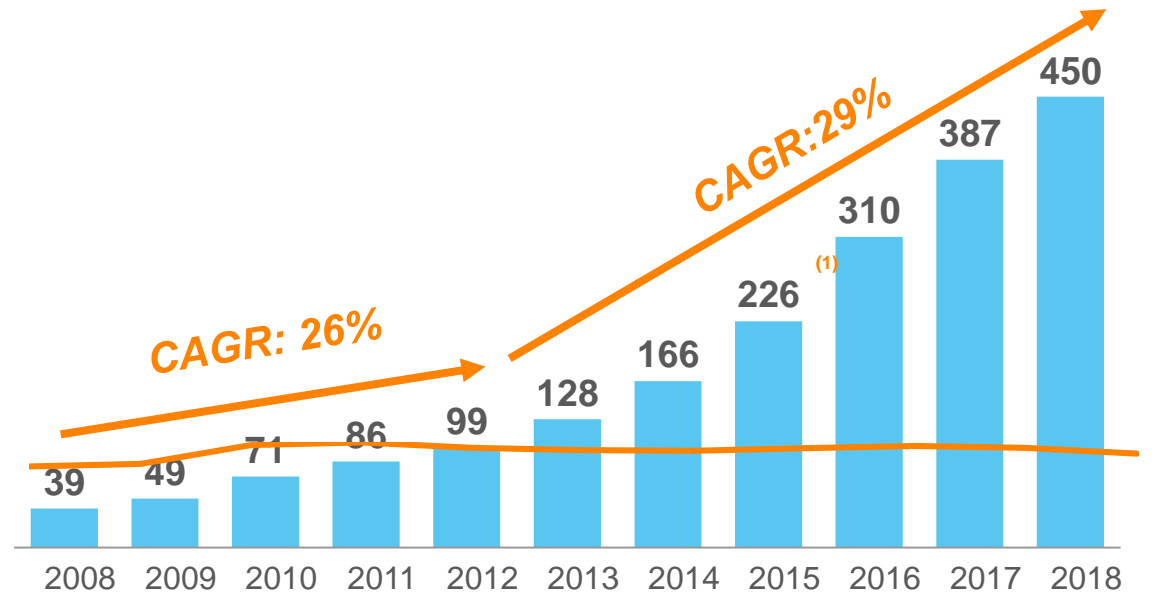
Continued strong net sales and EBITDA growth



Net sales (€m)

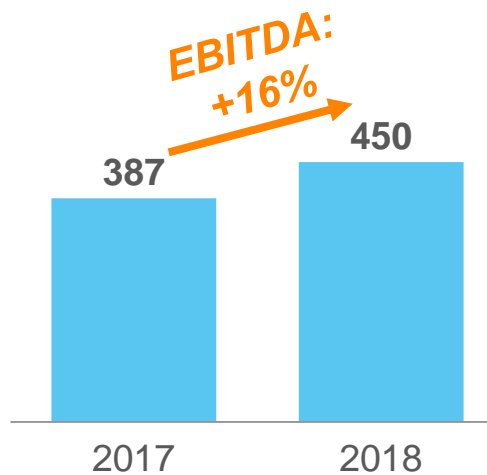
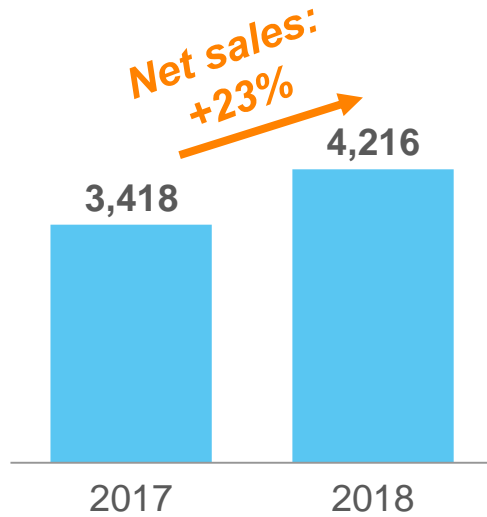


Operating EBITDA (€m)



— EBITDA margin

Results of 2018 could have been even stronger



Supply chain challenges

- End-to-end supply chain planning
- Operational challenges in 2 French DCs and delay of 2 DCs
- Productivity of stores impacted

Specific category issues

- Stock clearance in Decoration and Garden & Outdoor

External

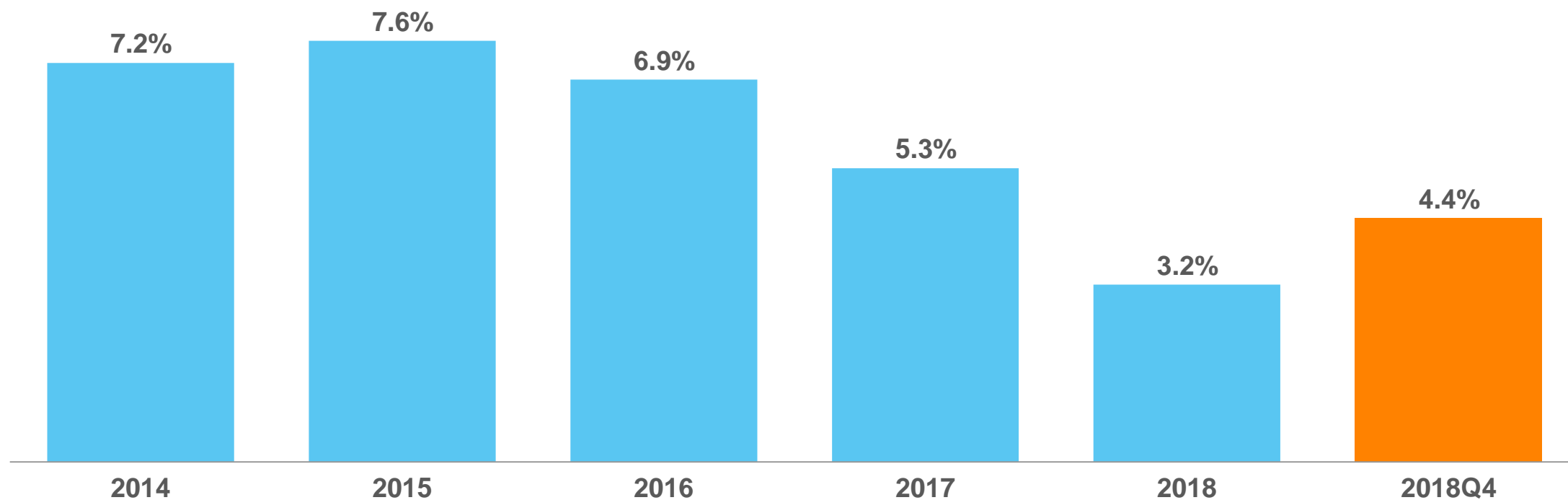
- Challenging year for European retail industry
- Exceptional weather affecting footfall
- The “Gilets Jaunes” protests and railway strikes



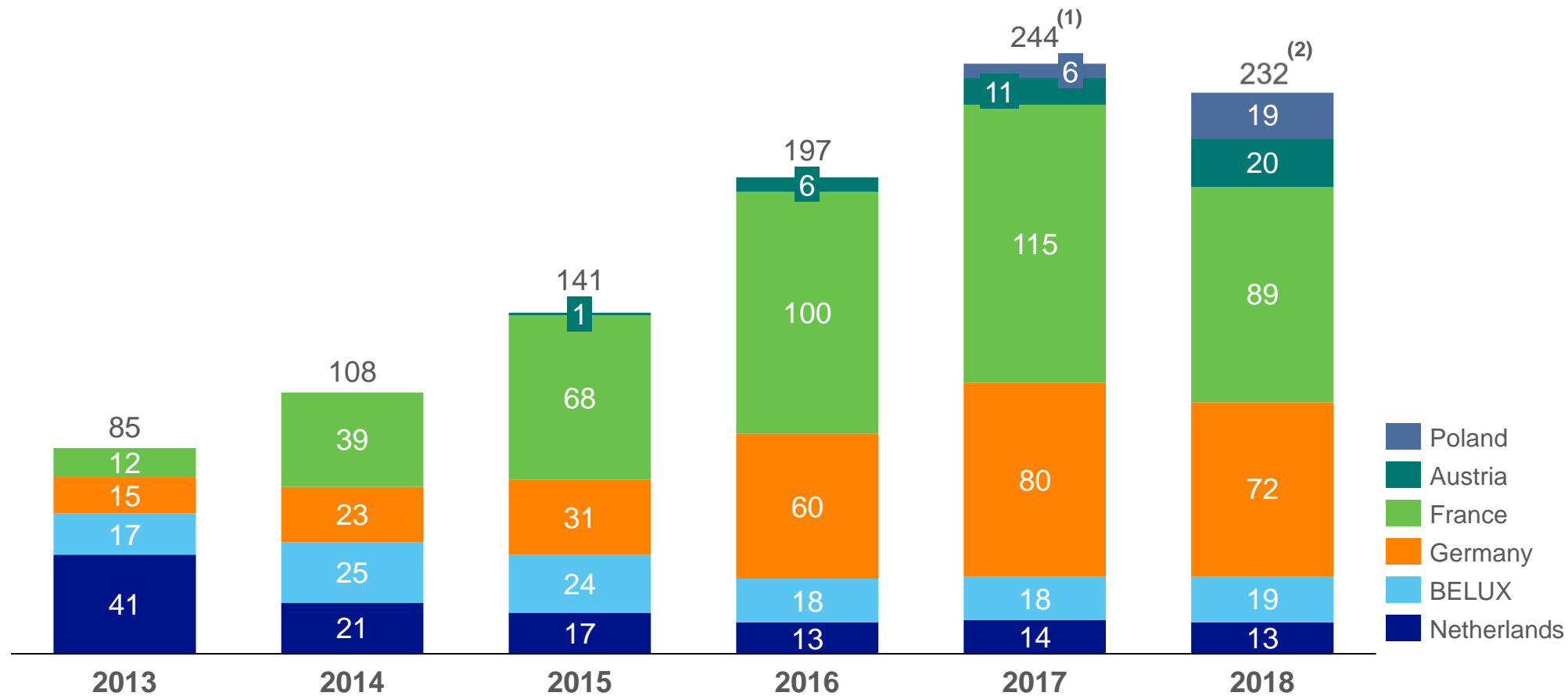
Investments in organisational capability

- Start-up costs of new DCs
- Significant step-up in IT
- Incremental investments to strengthen capabilities in commercial, planning and supply chain
- Establishing a Digital Unit
- Creation of Polish team

1 LFL performance 2014 – 2018



1 New store openings 2013 - 2018



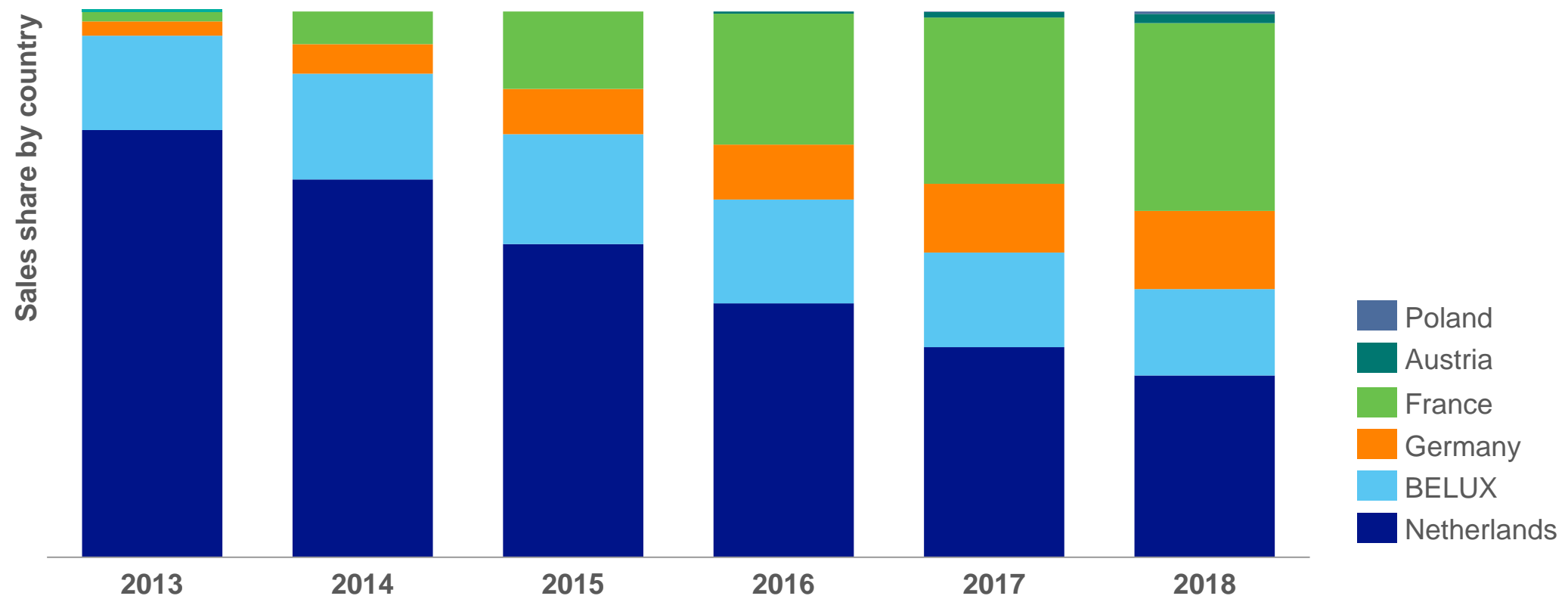
Source: company information

(1) Net new store openings was 243 as a result of one store closing in the Netherlands

(2) Net new stores openings was 230 as a result of two stores closing in the Netherlands, 20 stores delayed to 2019

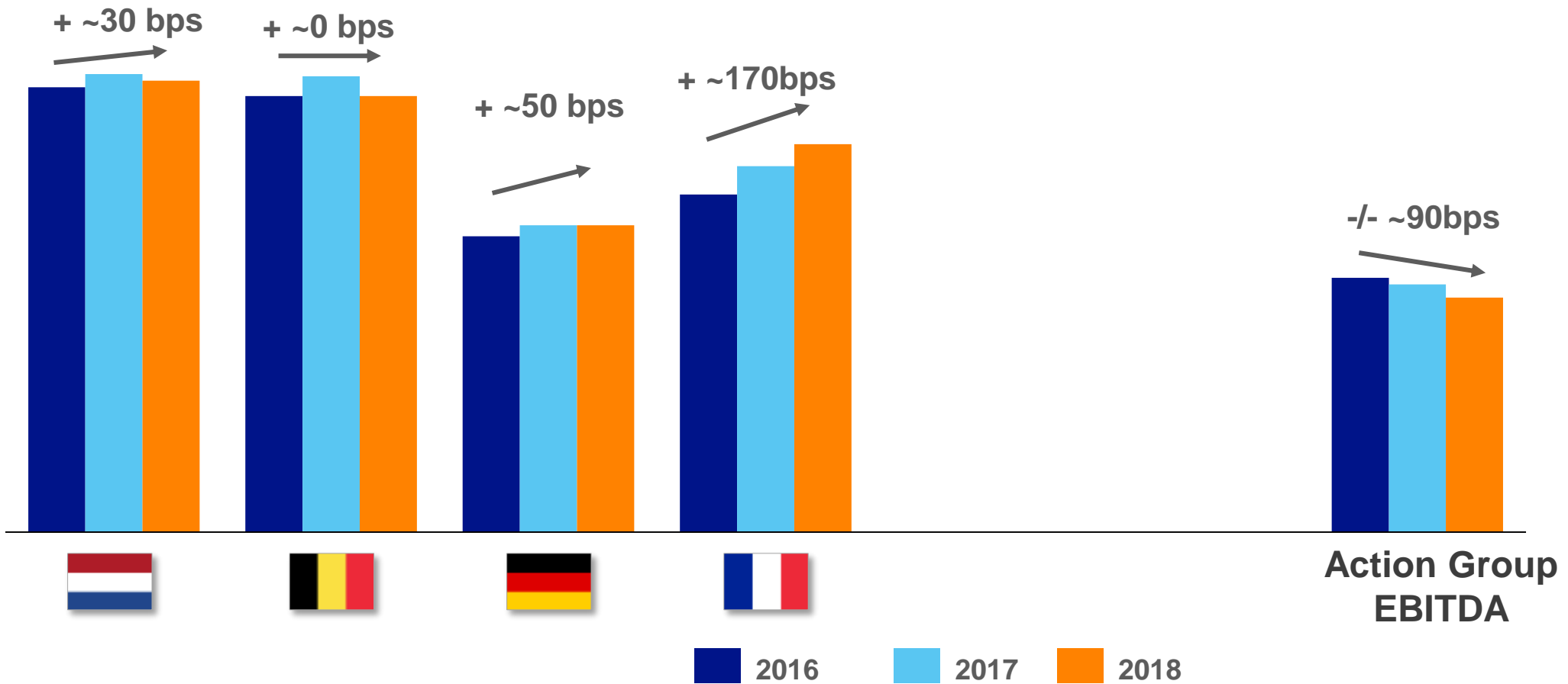
1

Further diversification of net sales: France has become larger than the Netherlands

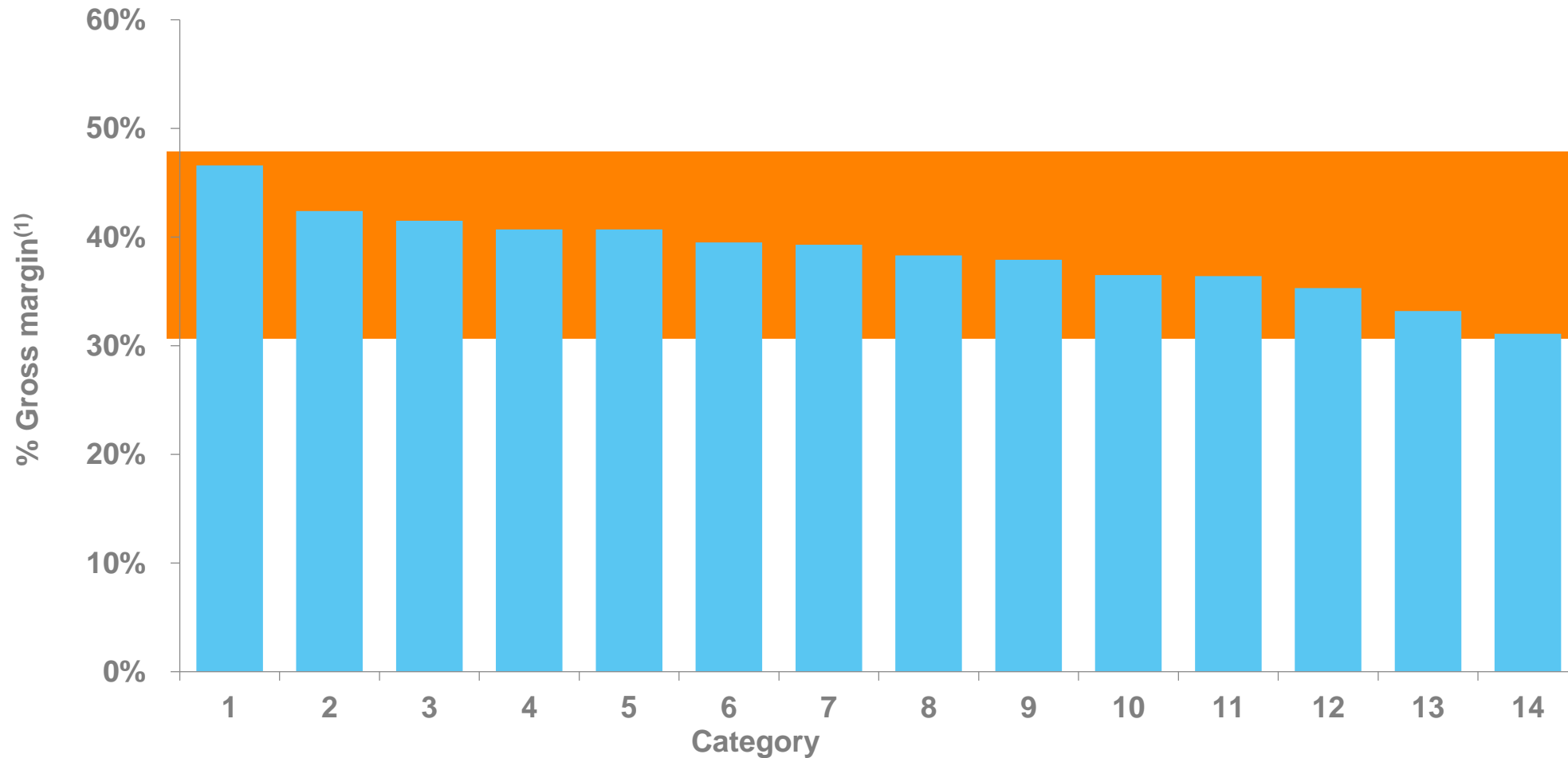


1

Change in underlying country EBITDA margin

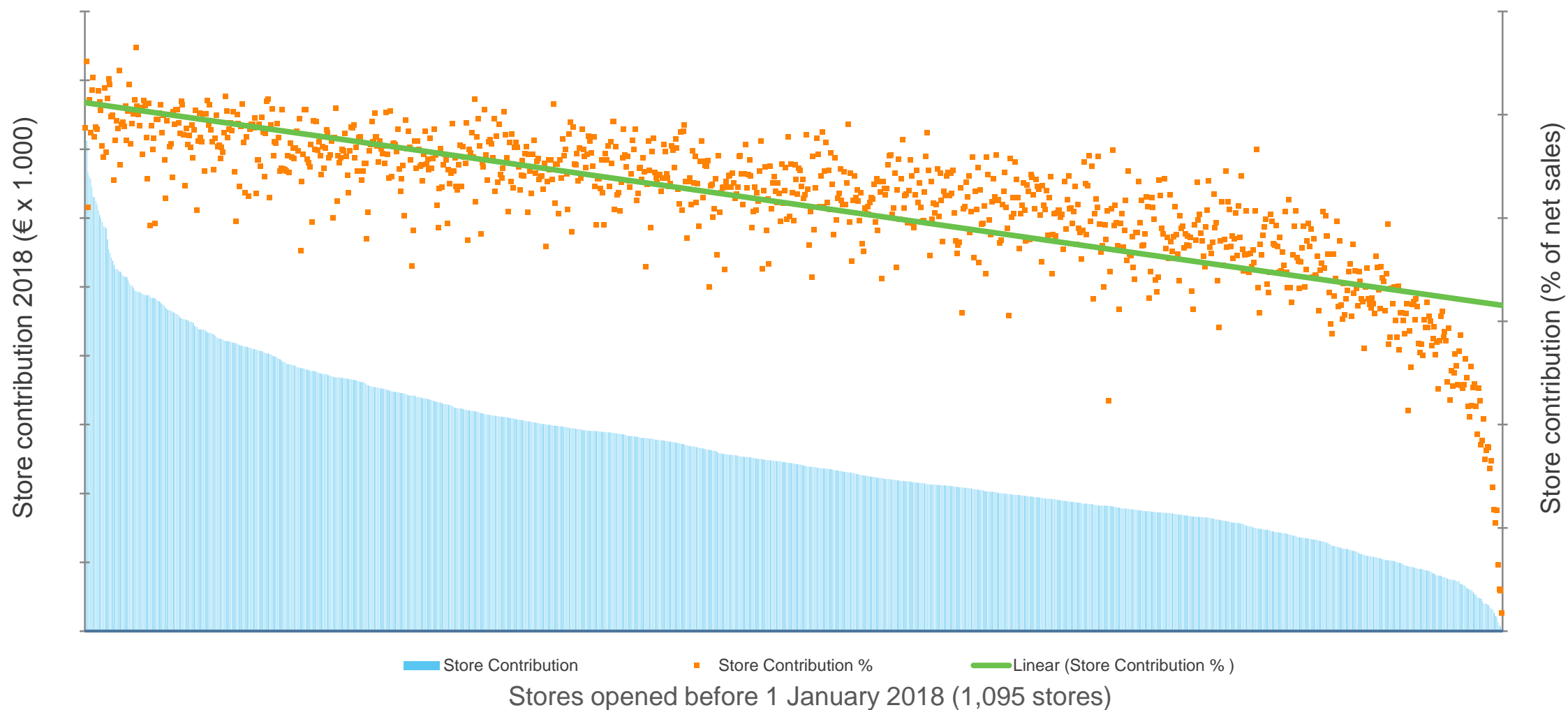


2 Consistent margins across all categories



Source: company information
(1) (Net sales - Cost of goods sold) / Net sales

2 All LFL stores are profitable



3 Attractive pay-back periods for new stores

Attractive new store dynamics

- Rapid sales ramp-up post-opening
- Real estate discipline driving low rental costs:
 - No high street locations
 - At market or lower than market rent
 - Low maintenance capex
- CAPEX maintained at 2016 levels, in spite of format improvements, through better procurement
- Individual store payback varies depending on size of store and geography

Historical average payback of stores (illustrative)

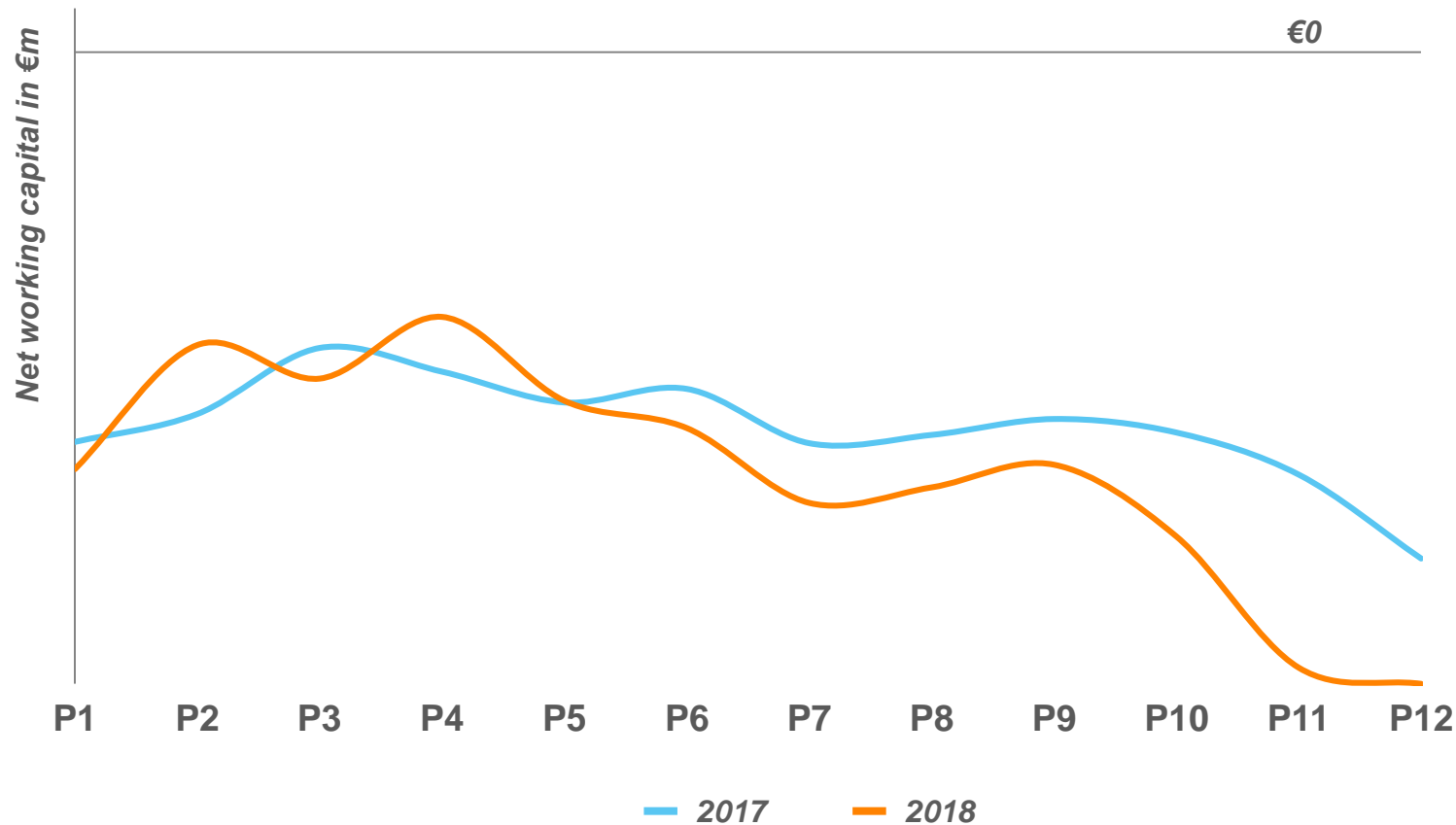


Source: Company information

(1) Including opening costs for new stores

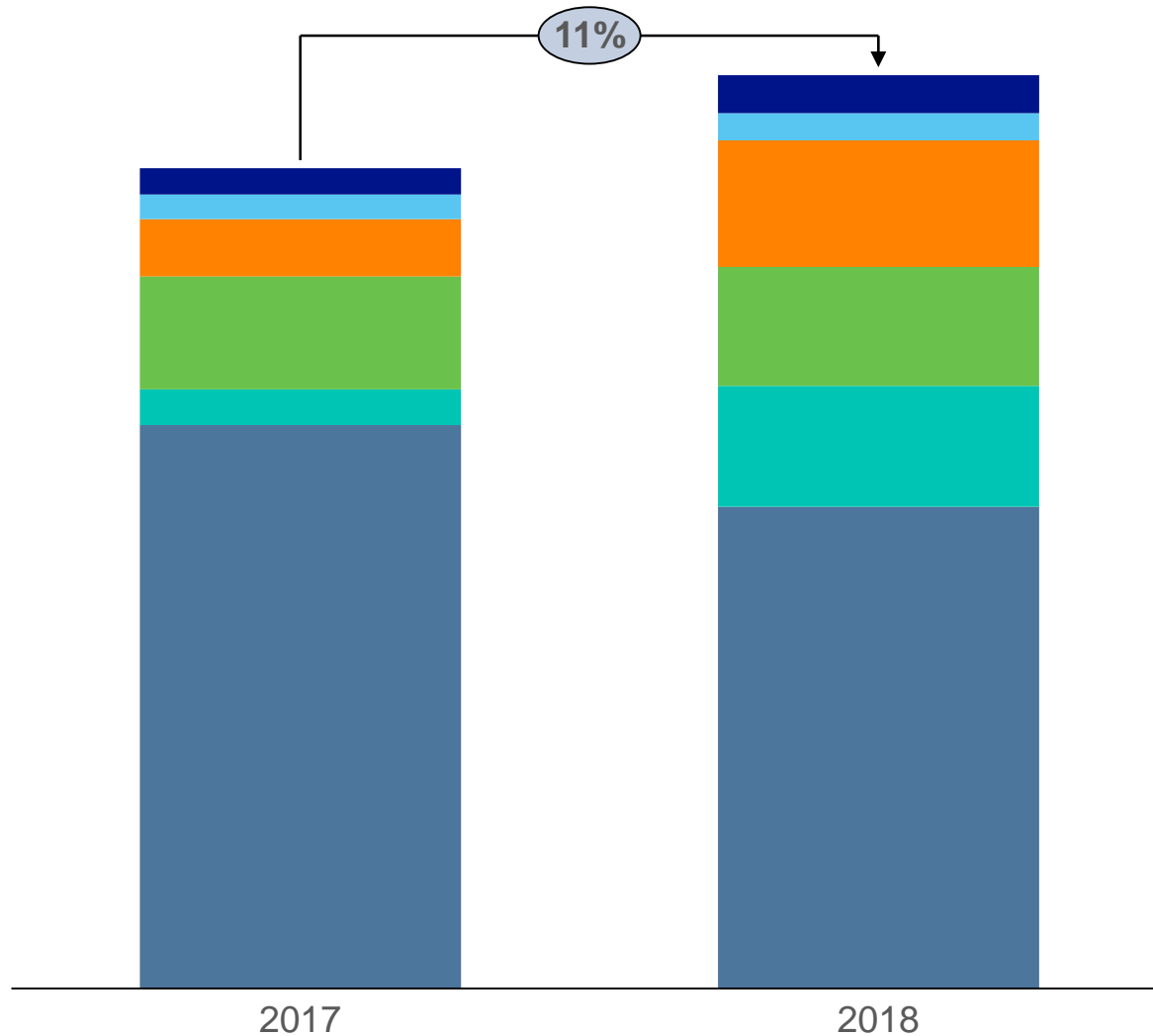
(2) Based on total sales/total number of stores

3 Action enjoys negative total working capital



- Total net working capital in Action is negative throughout the calendar year
- Creditors are fully financing company inventories
- The faster Action grows, the stronger the cash flow performance

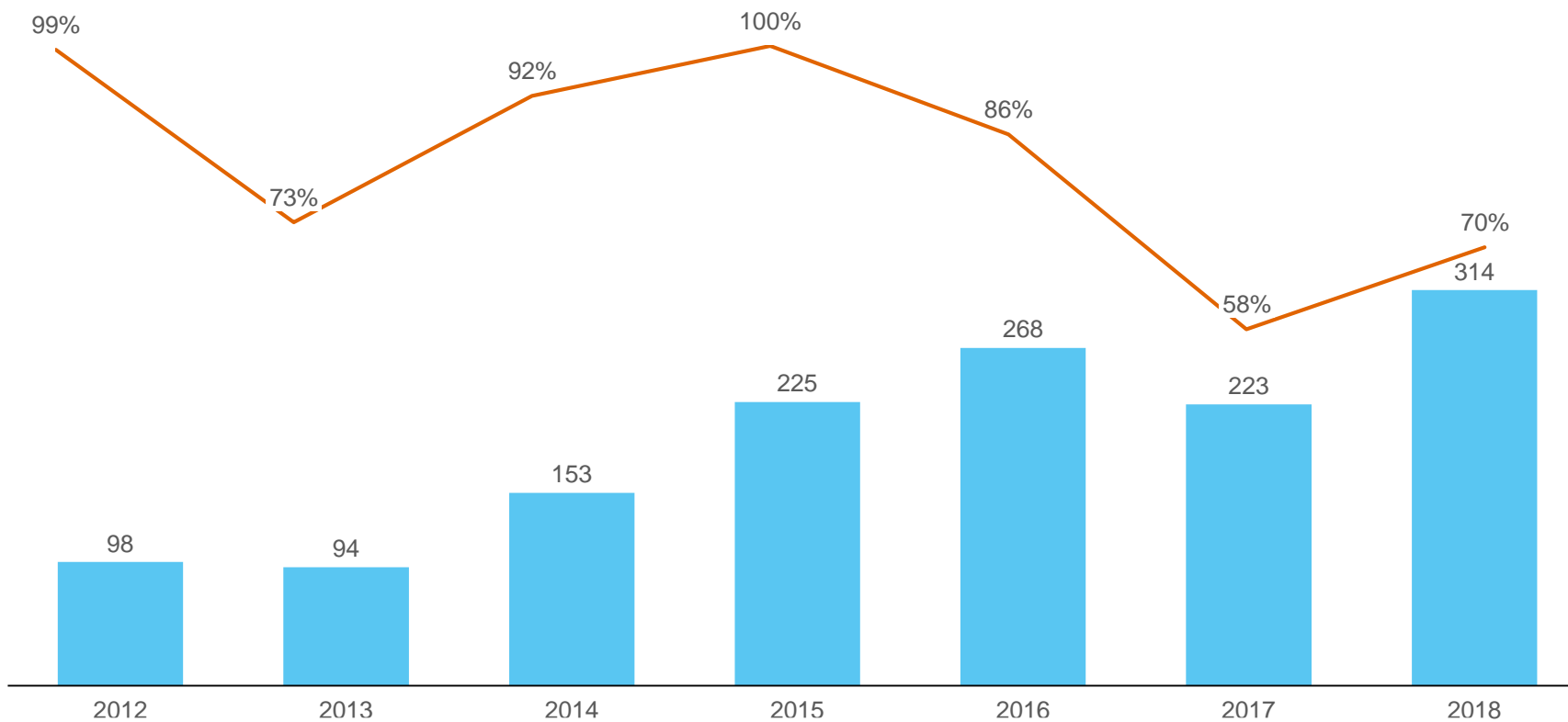
3 CAPEX development



- Total CAPEX increased by 11% this year
- We will continue to invest in DCs, stores and IT
- CAPEX (€) will increase over the next years:
 - We continue to build capability and capacity for future growth

- Other
- DC maintenance
- Store maintenance / RERs
- IT
- New DC (incl. IT)
- Store expansion

3 Strong cash flow: 2018 conversion of 70%



- Low capital intensity, negative working capital and fast payback for new stores lead to strong cashflow
- 2018 cash conversion increased versus 2017, notwithstanding significant investment

Overview of high-level financials



	2018	2017	Change
Net sales (€m)	4,216	3,418	+ 23.3%
Like-for-Like sales growth	3.2%	5.3%	
Operating EBITDA (€m)	450	387	+ 16.3%
EBITDA margin	10.7%	11.3%	
Number of stores	1,325	1,095	+ 21.0%

Agenda



- | | |
|--------------------------------------|----------------------------|
| 1. Introduction | Simon Borrows |
| 2. Business performance 2018 | Sander van der Laan |
| 3. Strategy update | Sander van der Laan |
| 4. Financial performance 2018 | Joost Sliepenbeek |
| 5. Wrap Up | Simon Borrows |

3i committed to Action's ambition to become a €10 billion sales company



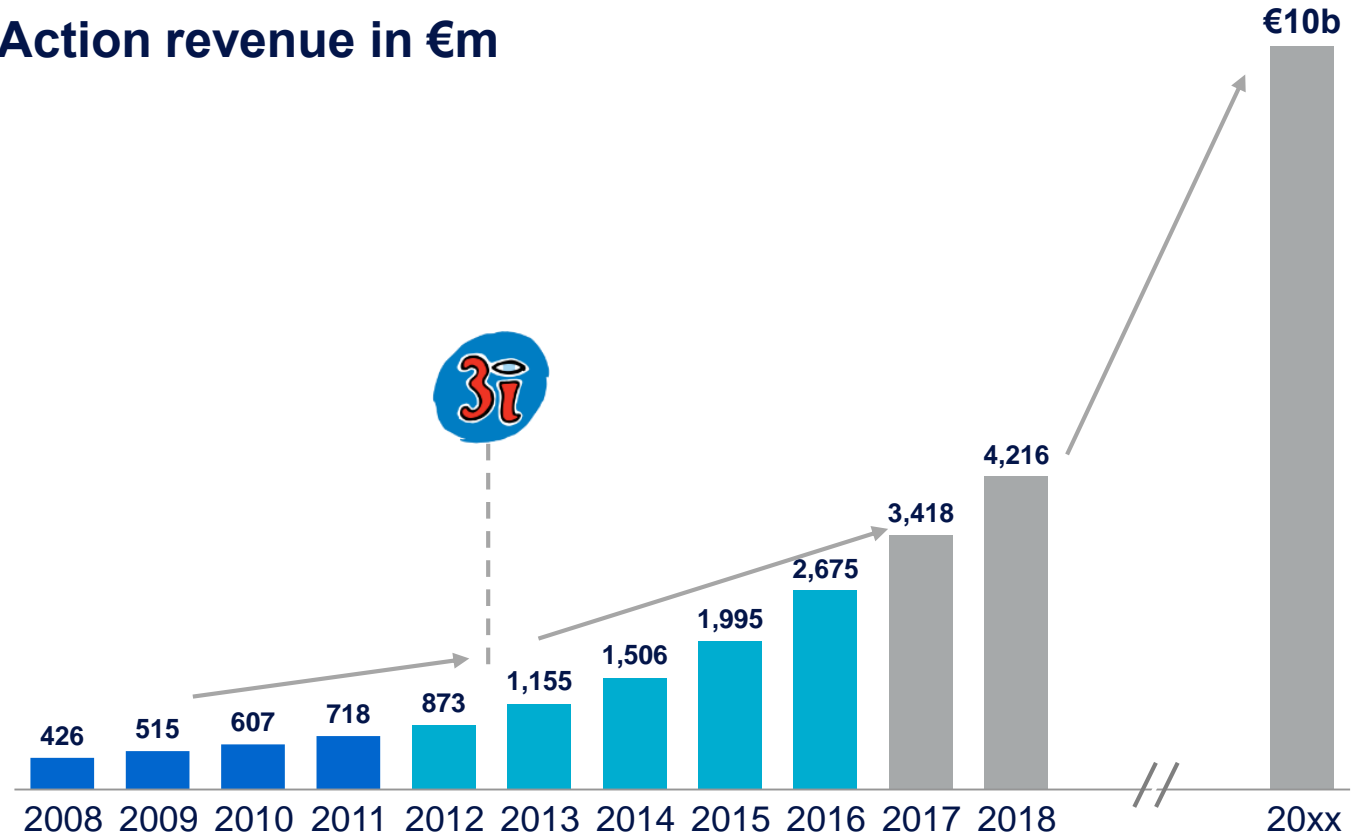
3i commitment

- Long-term investor with patient capital
- Active private governance remains optimal for execution of Action's strategy
- Compounding Action's growth remains attractive to 3i

Eurofund V process

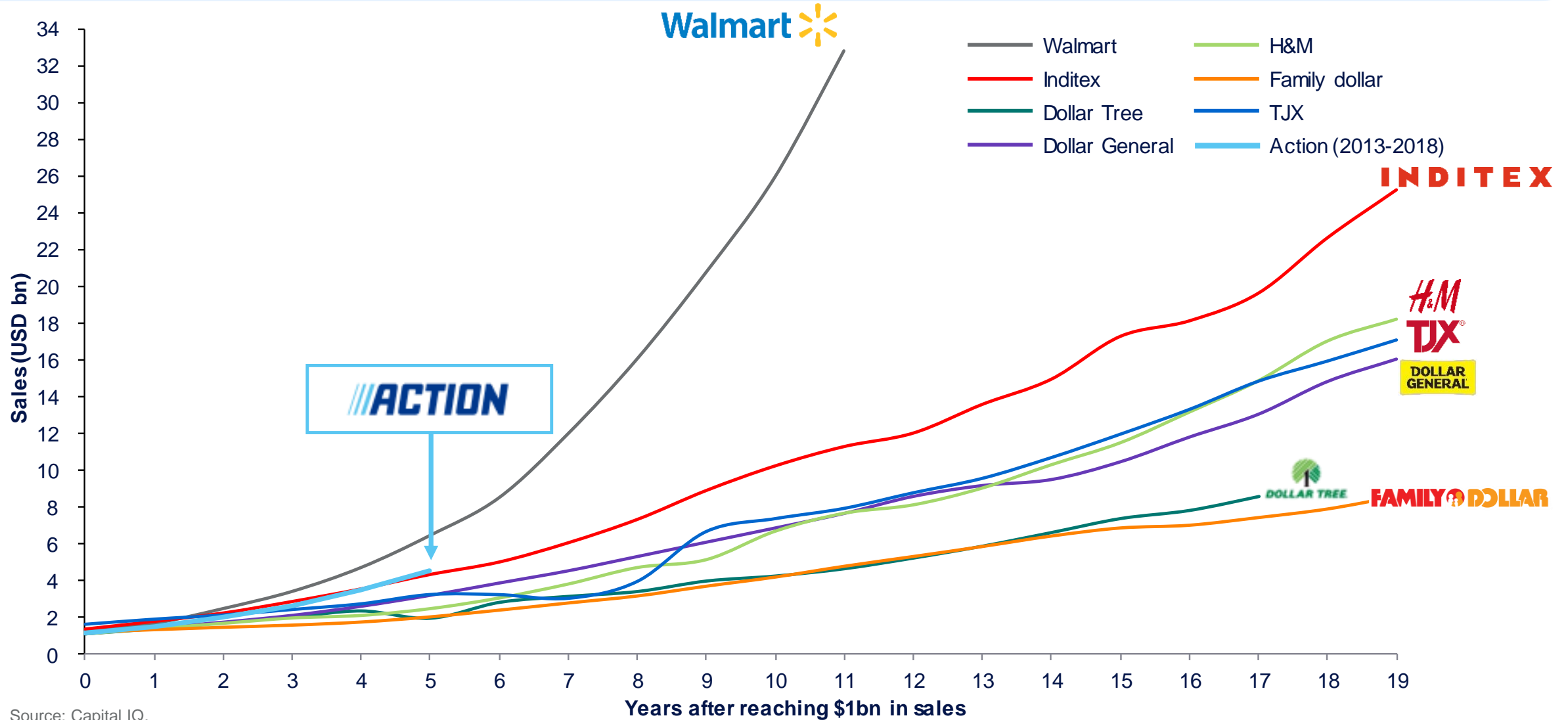
- Fund end date in November 2019 requiring LP liquidity event

Action revenue in €m



Action is just at the beginning of its journey

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



Source: Capital IQ.

Total sales in USD based to FX rate in year \$1bn in sales reached. Dollar Tree acquired Family Dollar in July 2015.

Walmart data as of 1980. TJX figures from 1988 post sale of Zayre to Ames (sales start at \$1.9bn).



Thank you for your attention!