



3i Capital Markets Seminar

Action

9 March 2018

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Introduction to Action



Simon Borrows

Update on strategic delivery



Sander van der Laan

Refresher on Action Business model



Sander van der Laan

2017 performance and beyond



Sander van der Laan

Financial performance



Frederik Lotz



Introduction to 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



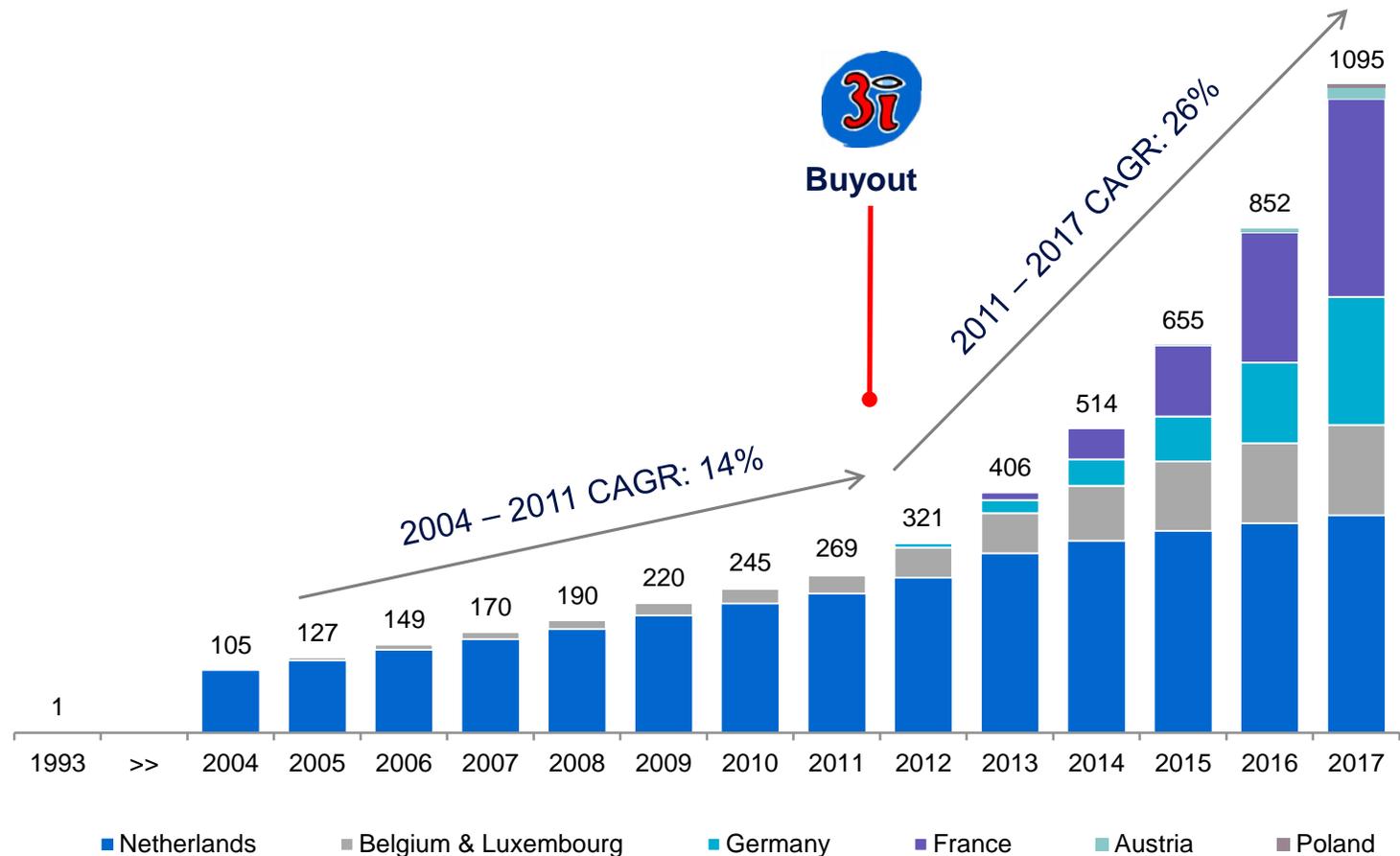
Acceleration of international growth under 3i's ownership



Milestones 2011-2017

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

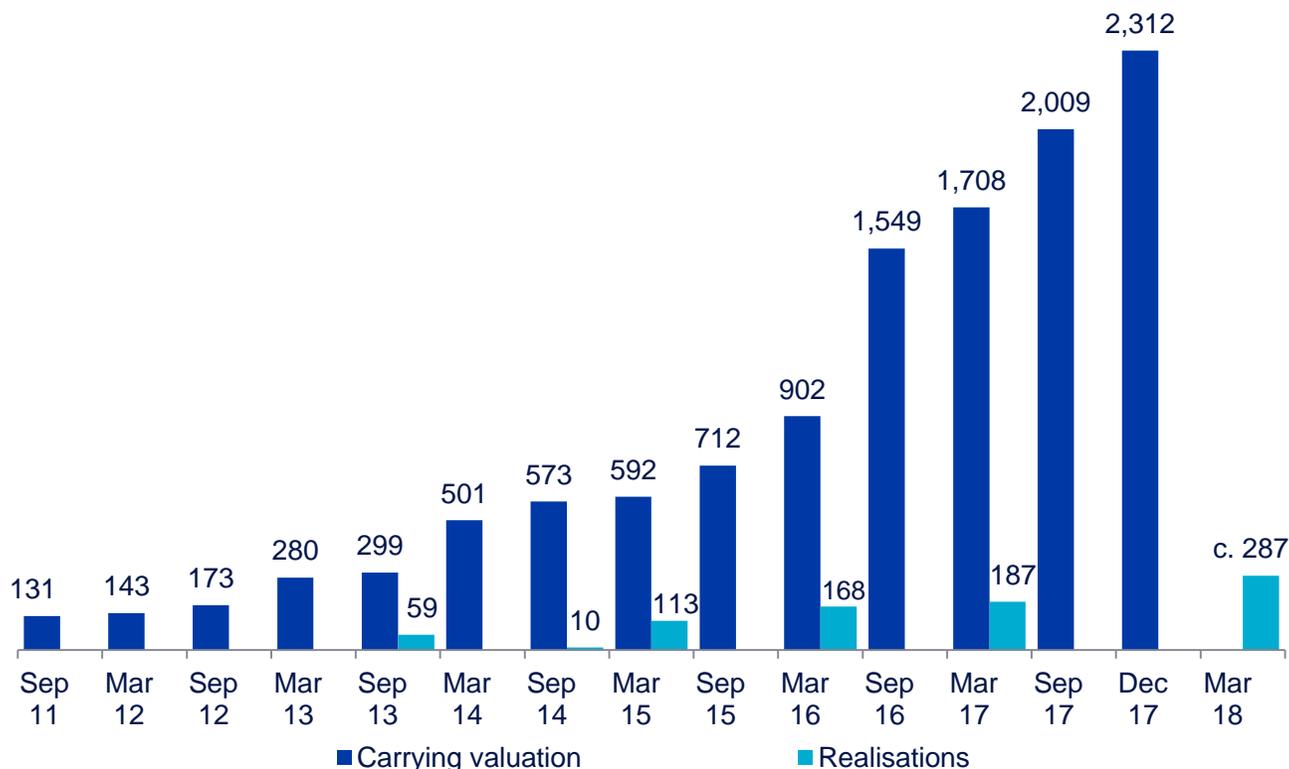
Total no. of Action stores



Strong value creation and continued potential



Action – 3i carrying value, £m



- £2,312m carrying value at December 2017
- Valued at 16.0x run-rate EBITDA multiple post liquidity discount
- Action reported EBITDA of €387m in 2017
- 26.5x 3i gross money multiple in euro terms at December 2017, including realisations up to December 2017⁽¹⁾
- Net proceeds of c.€321m to 3i from the March 2018 recap
- March 2018 recap will increase gross realised 3i money multiple over cost in euro terms to 8.1x

Source: 3i Annual and Half-yearly reports.

(1) Gross cash proceeds over cash invested in euro terms. Valuations of remaining investment are included in the multiple.

Today's speakers



Sander van der Laan

/// **Chief Executive Officer**

- Joined in October 2015
- 27 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
- >16 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



Update on strategic delivery: 2017 proved to be another successful year

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€3,418

Million
revenue,
+28%

5.3%

Like-for-
Like sales
growth

€387

Million
Operating
EBITDA

243

Stores
added

2

New
distribution
centres

1

New
country

Update on strategic delivery

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

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- 3 A cost-effective, simple and scalable business model that delivers our strategy
- 4 Build on the unique Action culture & values

Update on strategic delivery



Strengthen our unique customer value proposition

Always the lowest price	Strengthen and protect brand profile & company reputation
Famous for surprise	Accelerate Digital & 1:1
Trusted for quality	To develop & deploy Action Social Responsibility (ASR)

International geographic expansion

Rapid expansion in Germany & France	Expansion & network development in Benelux
Roll out in Austria & Luxembourg	Entry into new countries
Roll out in Poland	Build European distribution network

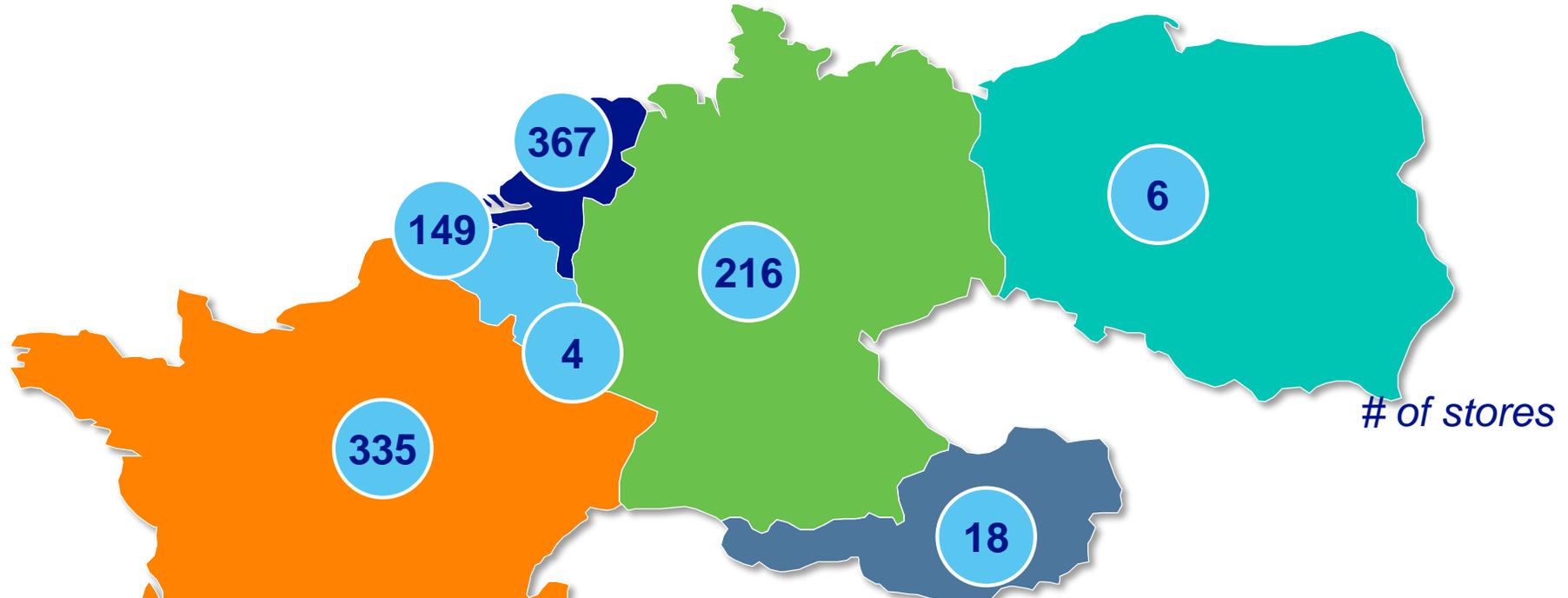
A simple, scalable, and cost-effective business model that delivers our strategy

Effective organisation, leadership and processes	Strengthen HR operating model	Build a technology infrastructure	Business insights	World-class sourcing and procurement	End-to-end supply chain
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Build on the unique Action culture & values

Customer Focused | Cost Conscious | Teamwork | Discipline | Simplicity | Respect

Update on strategic delivery: significant international growth since the investment by 3i in 2011



€m Revenue		# of stores		% NL revenue		# of DCs	
607	3,418	245	1,095	~95%	~33%	1	7 ¹

1) Including 2 DCs under construction

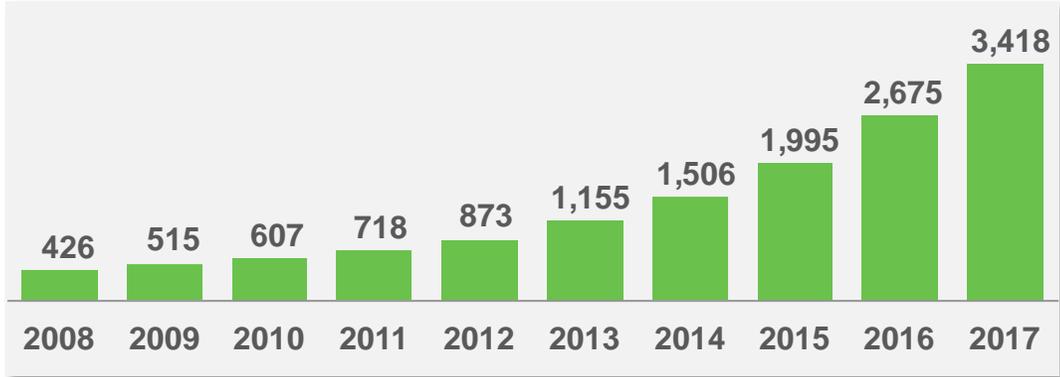
□ 2010

■ 2017

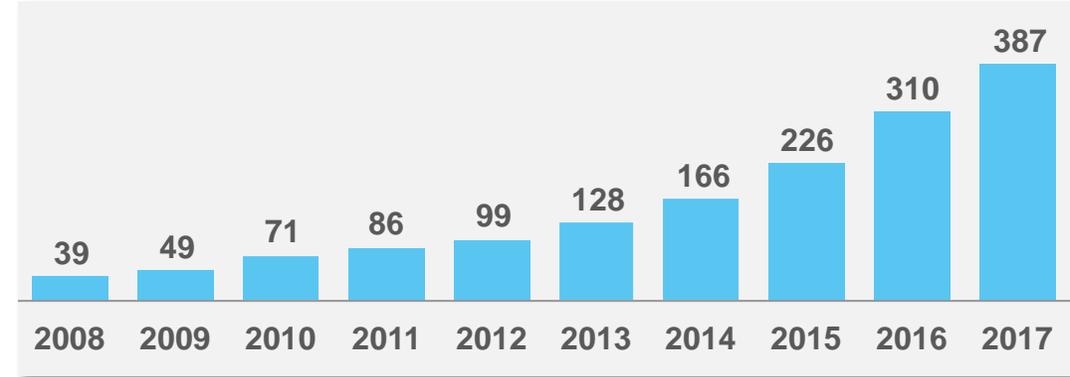
Update on strategic delivery: consistent high growth track record



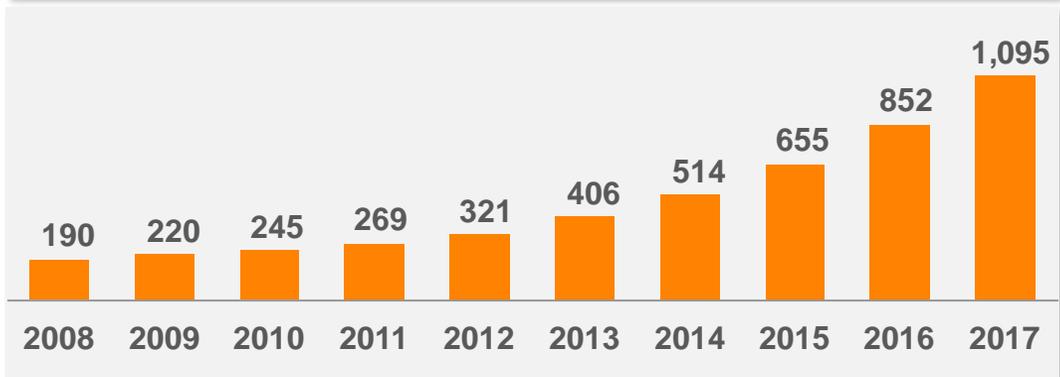
Strong net sales growth (€m)



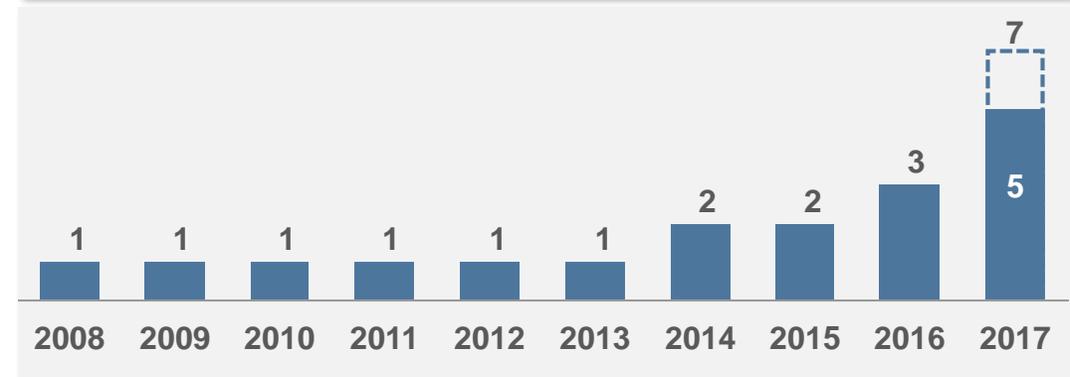
Strong EBITDA growth (€m)



Rapid store expansion



Increasing DC network



Refresher on Action Business model

Sander van der Laan



Unique business model providing sustainable competitive advantage

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**One brand &
one format**



Price



Surprise



Customers



**Scalable
business
model**



People

1

brand

1

store format

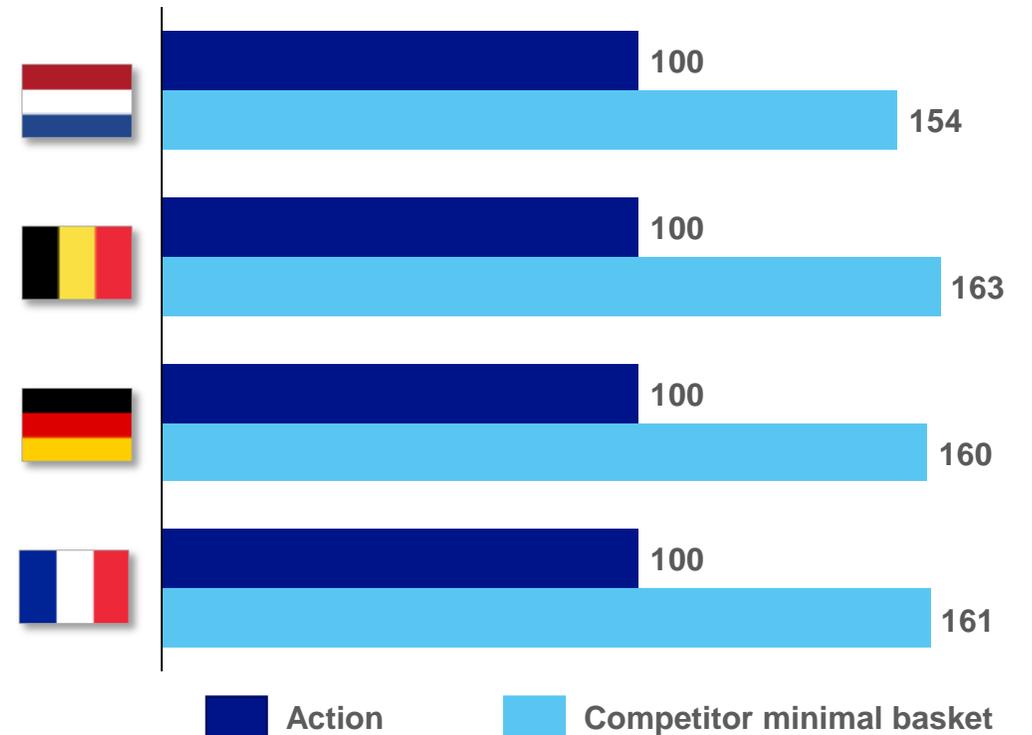
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store
operating
model

- Stores between 700 to 1,100 sqm
- More than 90% of assortment is the same across all countries
- Focus on simplicity enables fast growth



% of products in different price ranges

Unbeatable prices for competition⁽¹⁾

(1) GfK Image and Awareness Study December 2017 / Source: Company information

Price

Unbeatable prices offered to our customers

///ACTION

**Oral-B Power Electric
Toothbrush**

777



Sesame snaps

037



Freija cat food

018



**Lifecare pregnancy
test**

169



**Green Boots green
mould remover**

187



Sento Caring Shampoo

055



**Panasonic AAA
Batteries**

179



Unbeatable price offering based on multiple factors



We buy big volumes



No fixed assortment



Efficient logistics



Low overhead costs



Low marketing expenditure



Standardised store processes



No high street locations



Simple business model

Surprise

Surprising assortment essential for our strong customer proposition

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2/3 of the assortment is constantly changing



> 150 new articles every week



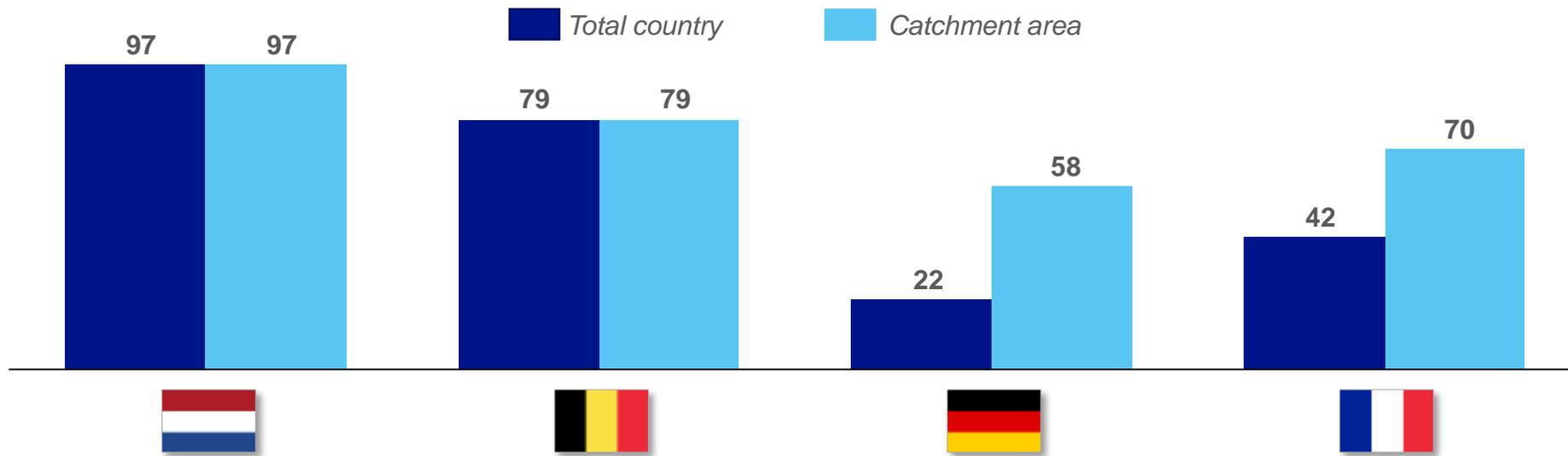
Weekly specials



Seasonal offers

Loyal customer base is spreading the word

Total country-wide brand awareness and catchment area brand awareness⁽¹⁾

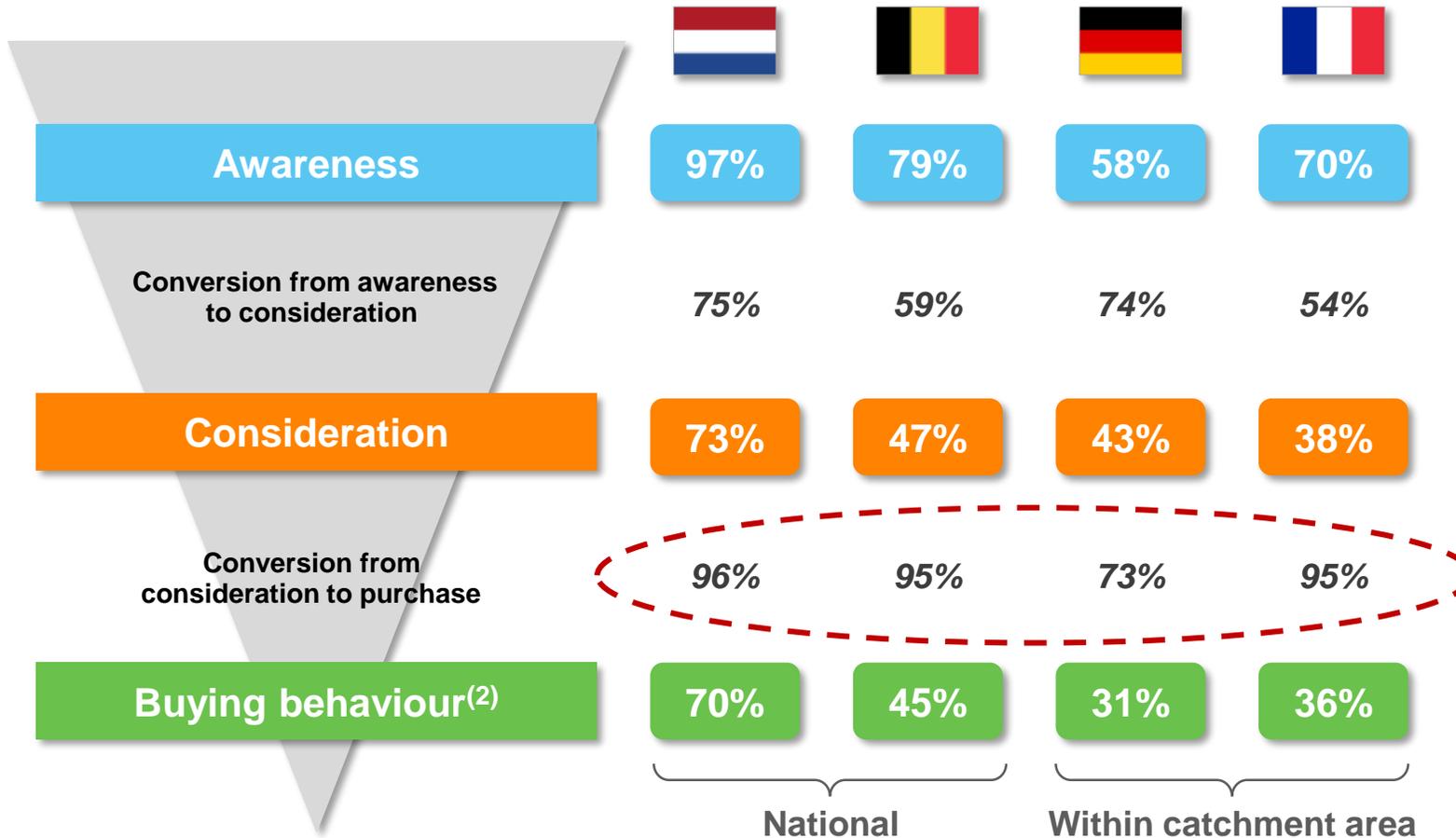


Prizes won in 2017 (country wide awards)



(1) GfK Image and Awareness Study December 2017 / Source: Company information

Strong brand with a very strong conversion towards buying at Action

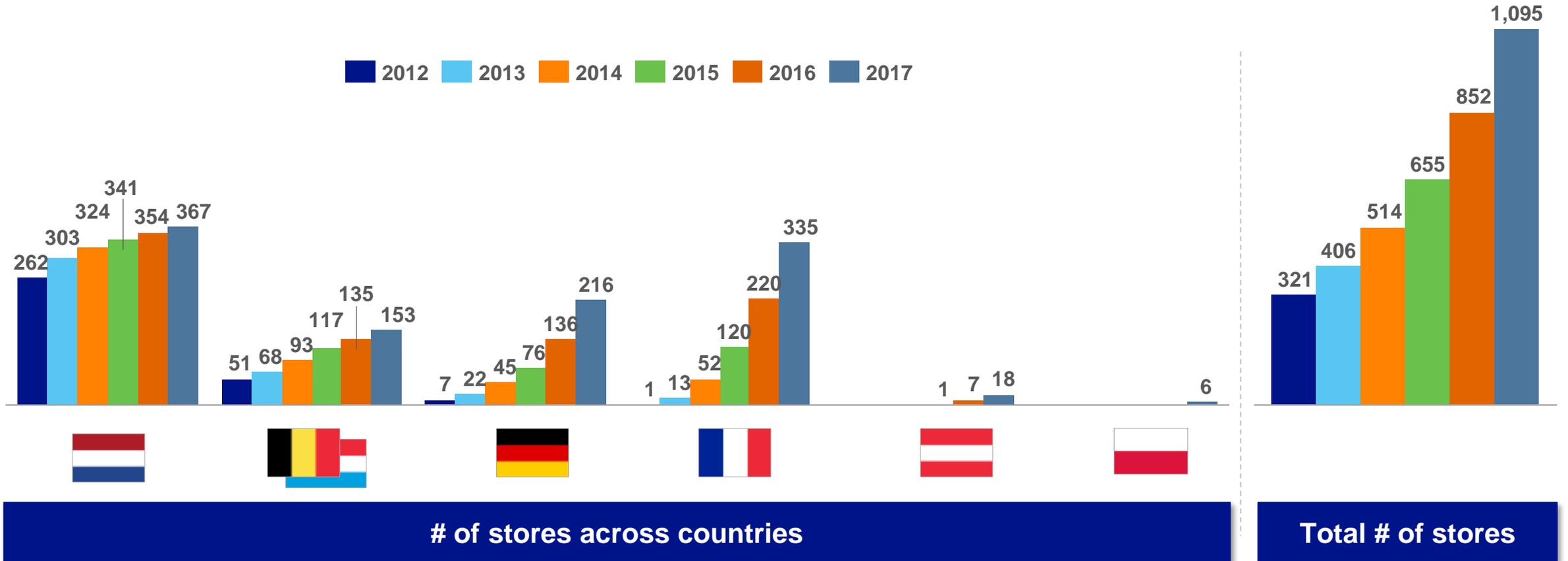


(1) GfK Image and Awareness Study December 2017 / Source: Company information
 (2) % clients that purchased one or more products at Action in the previous six months

Scalable

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

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Scalable

Scalable supply chain with 2 new DCs in 2017 and 2 more DCs under construction

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- Existing
- New in 2017
- Under construction

DC-A (Zwaagdijk, NL)



Open 2003

DC-G (Peine, DE)



Under construction

DC-B (Echt, NL)



Open Q2 2014

DC-D (Biblis, DE)



Open Q2 2017

DC-C (Moissy, FR)



Open Q2 2016

DC-E (Labastide, FR)



Open Q3 2017

DC-F (Belleville, FR)



Under construction

1 Customer focus

2 Cost consciousness

3 Teamwork

4 Discipline

5 Simplicity

6 Respect



Experienced management team continues to deliver profitable growth

Action operating team

 Executive Board members



CEO
Sander van der Laan



CFO
Frederik Lotz



Commercial Director
Hajir Hajji



Supply Chain Director
Joost Bous



Operations Director
Bart Raeymakers



Marketing Director
René Repko



Communications Director
Yvette Moll



Legal Director
Rob Wesseling



HR Director
Liz van der Werf



Real Estate Director
Angus Booth



IT Director
Jens Burgers

Significant focus on Action Social Responsibility



Action Social Responsibility Strategy



Product

Our products are safe and responsibly sourced



People

We are a responsible employer



Environment

We minimise our environmental impact across the supply chain



Good citizenship

We contribute to society and serve local communities

2017 performance and beyond

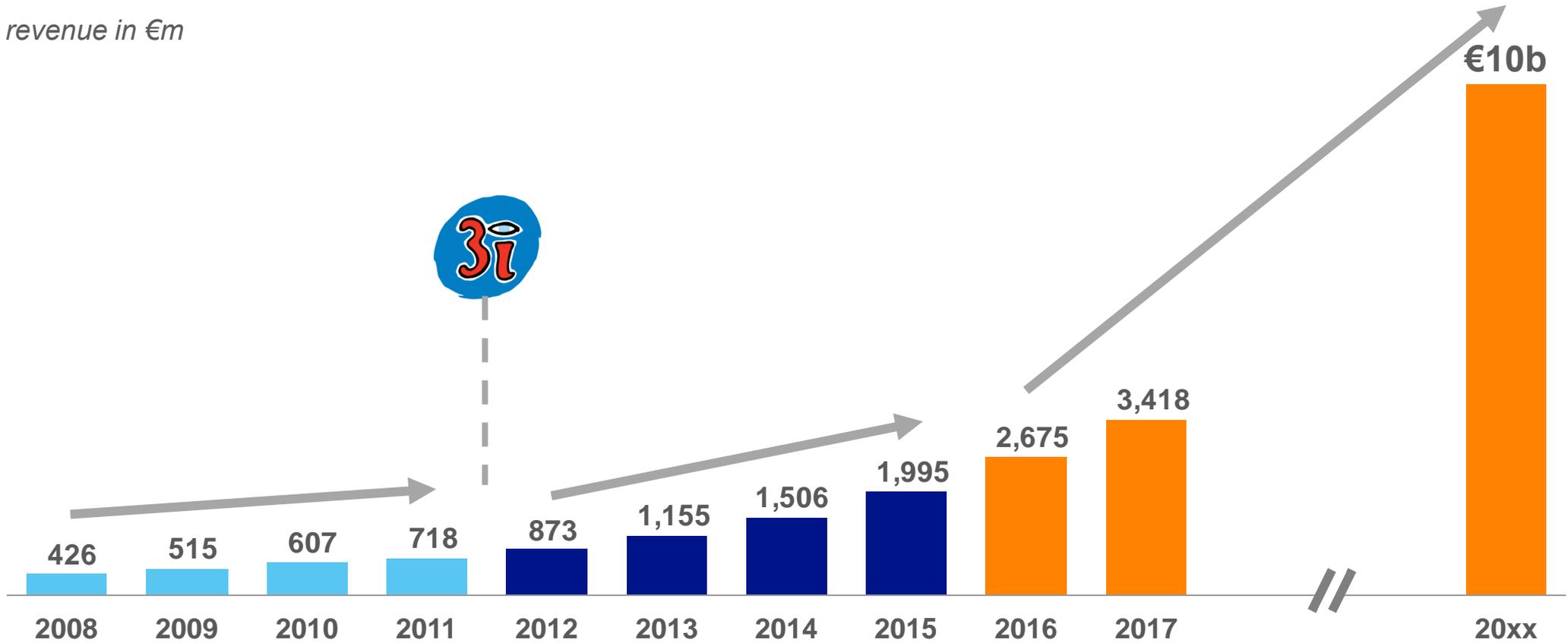
Sander van der Laan



Action has an ambition to become a €10 billion company



Action revenue in €m



2017 was another strong year



2017 was another strong year...

- *Like-for-Like at 5.3%*
- *243 stores added*
- *EBITDA €387m (EBITDA margin of 11.3%)*

...but some areas required attention

- *Supply chain transition costs*
- *Soft performance in Decoration and Fashion*

Underlying performance remains strong

- *Like-for-Like sales growth in all countries*
- *Store openings pace increasing*
- *Underlying margins improving*

In 2017 we focused on strengthening the company for future growth

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Like-for-Like



Expansion



Foundation



Strong Like-for-Like sales growth in 2017 to be delivered again in 2018

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Drive Like-for-Like all categories



New Category Sports



Private Label Programme



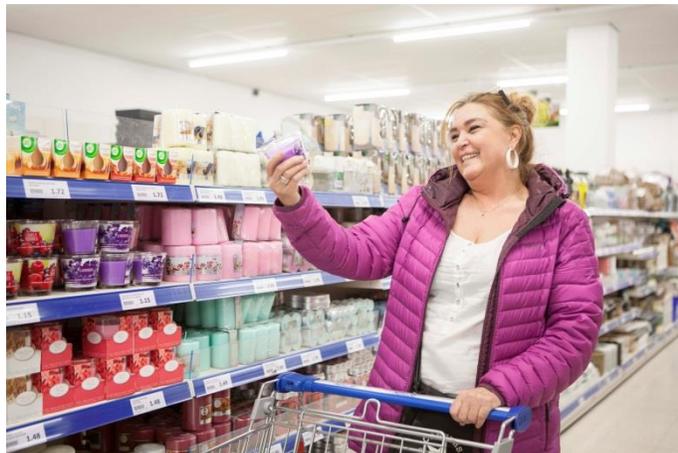
Refresh Format



Digital Transformation



Marketing Programme





Like-for-Like – continuous development of all 14 categories

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- Overall Like-for-Like sales growth of 5.3% in 2017
- Healthy Like-for-Like growth in all markets
- Q4 showed softness in two of our product categories (Fashion & Decoration)
- Within categories, focus on:
 - Price
 - Surprise (newness)
 - Quality



Like-for-Like – Sports will be introduced as our 14th category



- 14th category within Action assortment, taking over store space from fashion
- In store from March 2018 onwards with 9 meters of racking
- Starting with ~80 SKUs from existing assortment, increasing to ~125 SKUs by the end of 2018
- Assortment to focus on:
 - Sports clothing
 - Fitness equipment
- Own private label named Kaytan to be introduced during 2018





Like-for-Like – steadily expanding our range of private labels



- Over the next years we want to invest significantly in our private label portfolio
- Private labels are a big opportunity for Action:
 - Stronger Like-for-Like sales growth and margin performance compared to other non-branded products
 - Improves customers quality perception
- Action has 53 private labels in its assortment, spread across all categories (17 more private labels compared to 2016)





Like-for-Like – pilot started for a refreshed Action format



- Pilot started in 2017 in Haarlem (Netherlands)
- First findings positive:
 - Stimulates Like-for-Like development of stores
 - Enhances customer store experience
 - Brings innovation to the store
- Refreshed format will also be tested in Germany and Belgium
- Successful characteristics of refreshed store format to be incorporated in:
 - Blueprint new stores
 - Blueprint stores to be remodelled



Like-for-Like – digital transformation on the move

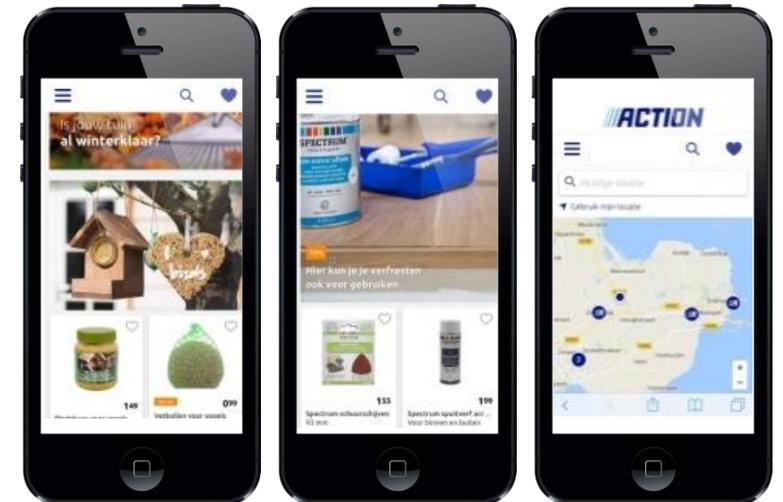
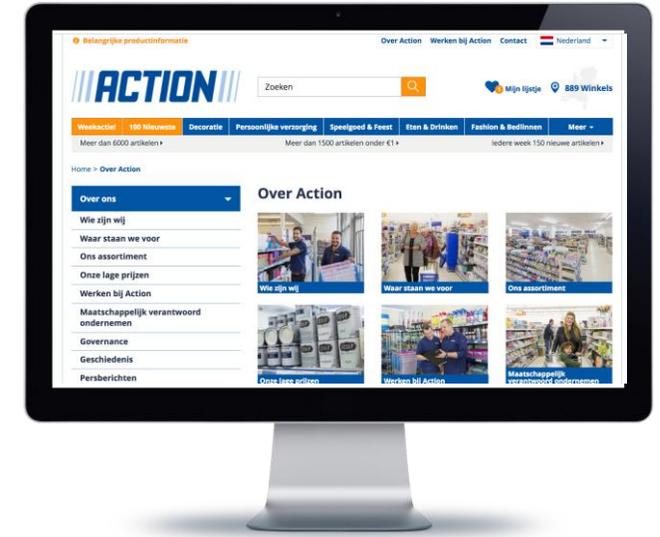


- Customer experience to be strengthened over the coming years through improved digital presence via:
 - Website (www.action.com launched in 2017)
 - Social media
 - E-mail
- Action has significantly invested in its digital customer proposition in order to drive traffic and Like-for-Like sales growth, and will continue to do so in the coming years

Since launch of action.com, the average number of visits per day has increased significantly

Social media base grew by almost 400% to 1.2 million followers

Independent fan groups in FR and NL counted more than 350.000 members each





Like-for-Like – optimising our non-digital marketing spend



2017



48 times per year

2018



First to be deployed in NL

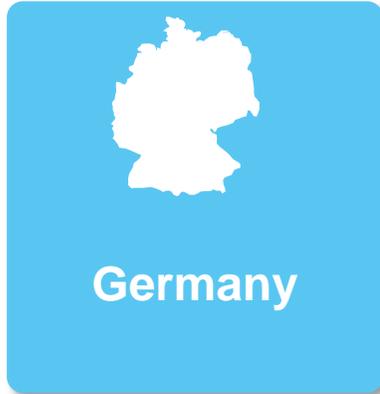
6 times per year in 3 media

6 times per year in 2 media

New non-digital marketing spend expected to increase store traffic and Like-for-Like growth



Continuous acceleration of growth via expansion to new countries and more store openings





Expansion - acceleration of store opening pace continued in Germany, with 80 new stores in 2017



- Country entered in 2009
- 80 new stores in 2017
- Local headquarter in Düsseldorf
- 1 distribution centre operational in Biblis and 1 distribution centre under construction in Peine

		
• Population	82.8m	17.1m
• Action stores	216	367
• Population per store	383k	47k



Expansion - growth in France has been significant, with 115 new stores in 2017



of stores 2012 - 2017

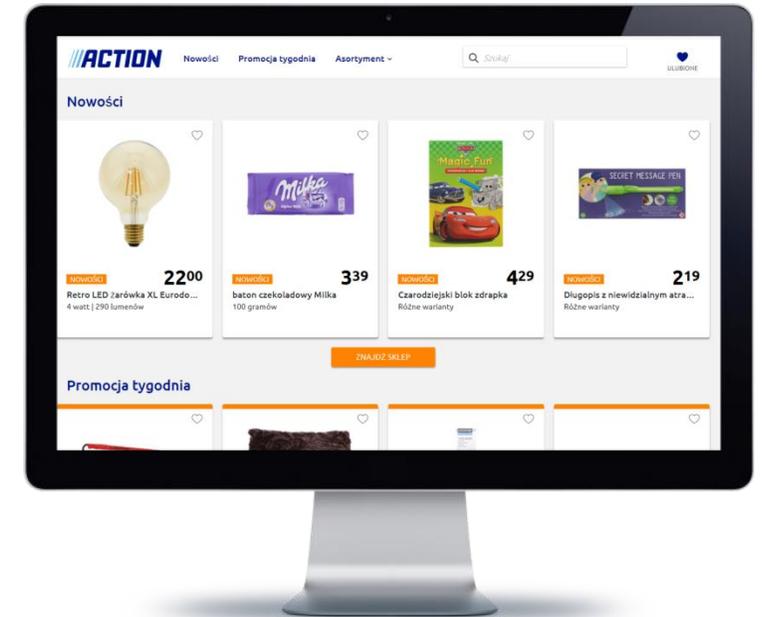
		
• Population	67.0m	17.1m
• Action stores	335	367
• Population per store	200k	47k

Country statistics

- Country entered in December 2012
- 115 new stores in 2017
- Local headquarter in Paris
- Replaced Warehouse Service Provider for Moissy with XPO in 2017
- 2 distribution centres operational in France and 1 distribution centre under construction in Belleville



Expansion – successful entry into Poland in 2017



- Six pilot stores were opened in the South-West of Poland in the fourth quarter
- Action formula appeals to our new Polish customers and we are planning to open more stores in Poland in 2018
- In the process of setting up a local office in Katowice



Expansion - further foundation for expansion



Remodelling

- Step up in number of remodellings with focus on NL and Belgium
- 2017:
 - 10 store relocations
 - 3 store enlargements
 - 14 store refurbishments



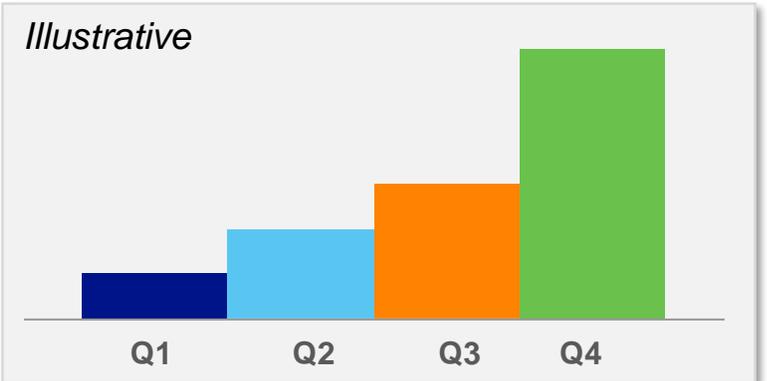
Quality of execution

- Continuous improvement in quality of new stores
- Focus on improvement of people, processes and equipment



Opening profile

- Create more equal spread of store openings throughout the year
- Current opening spread skewed towards Q4





Foundation

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Sourcing



People



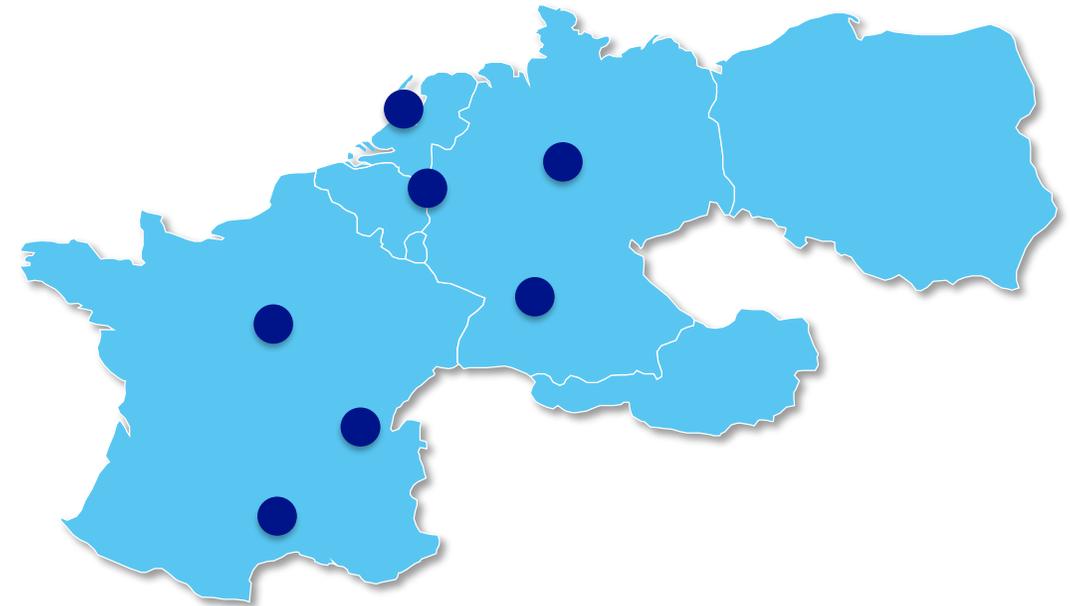
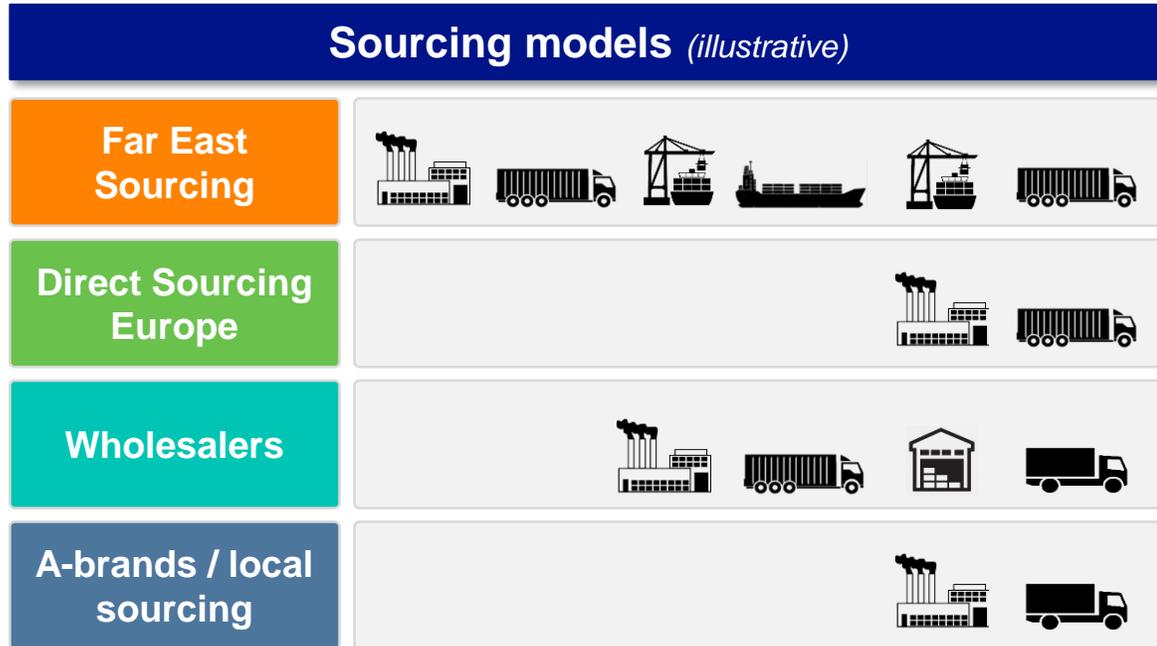
Systems





Foundation – developing Sourcing and Supply infrastructure to support long-term growth

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- Network of ~1,000 suppliers, of which >400 direct suppliers
- Diversity in sourcing models requires intensification in planning activities
- Additional distribution centres required in the coming years to underpin store openings



Foundation – growth to be supported by the right Systems & People

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Systems *(key focus areas)*

In-store technology

(Payment terminals, upgraded POS software, headsets)

Supply Chain

(Planning, upgraded Warehouse Management software)

Digital

(CRM)

HR

(Cloud-based system for all countries)

People

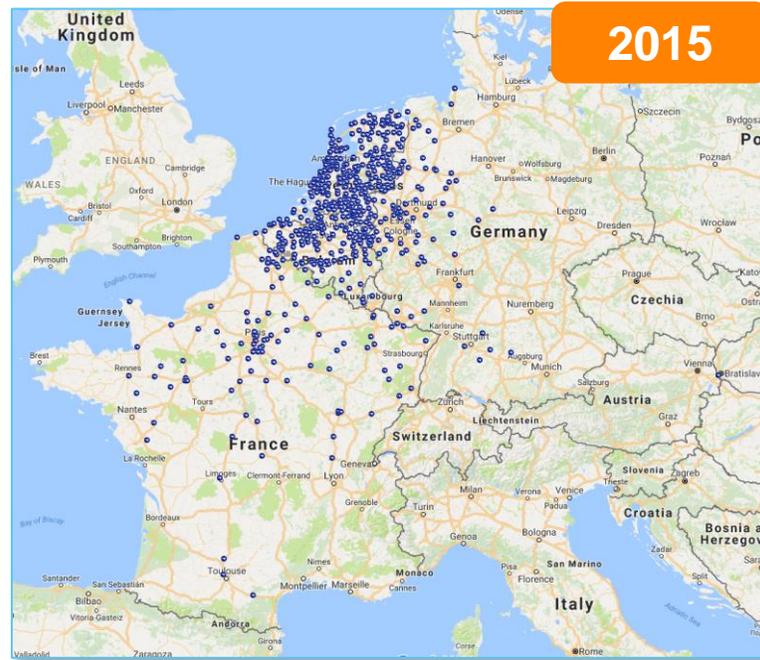
Significant leadership upgrades

Very strong engagement levels

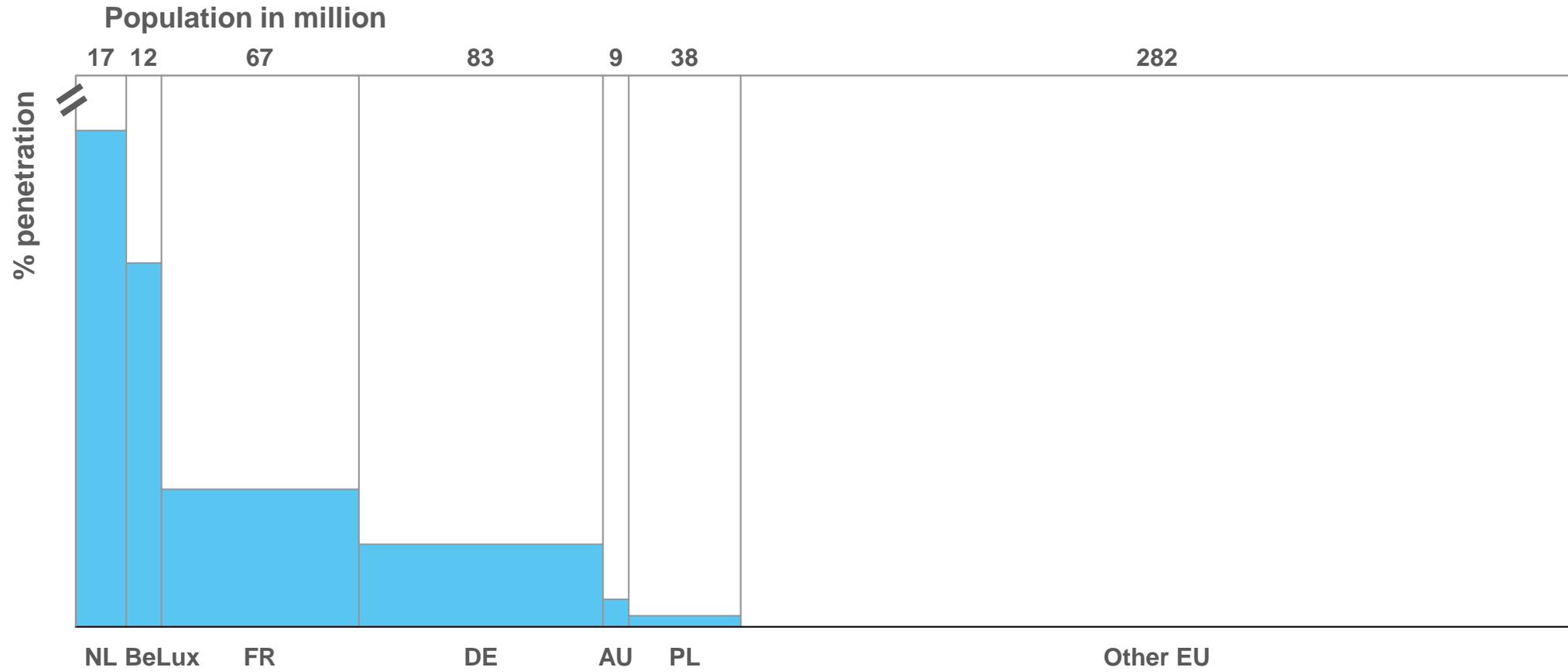
Further strengthening of country organisations

Rapid improvement of employer branding

Store roll out over the years (2013 – 2015 – 2017)



Still significant potential in existing and new countries



Financial performance

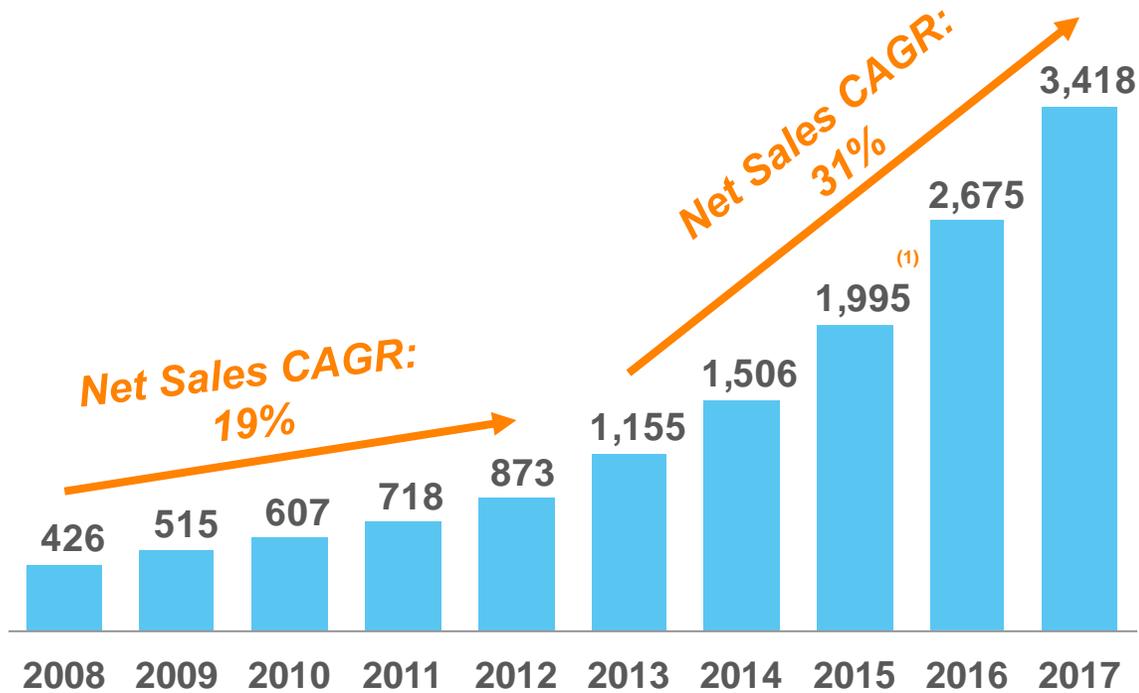
Frederik Lotz



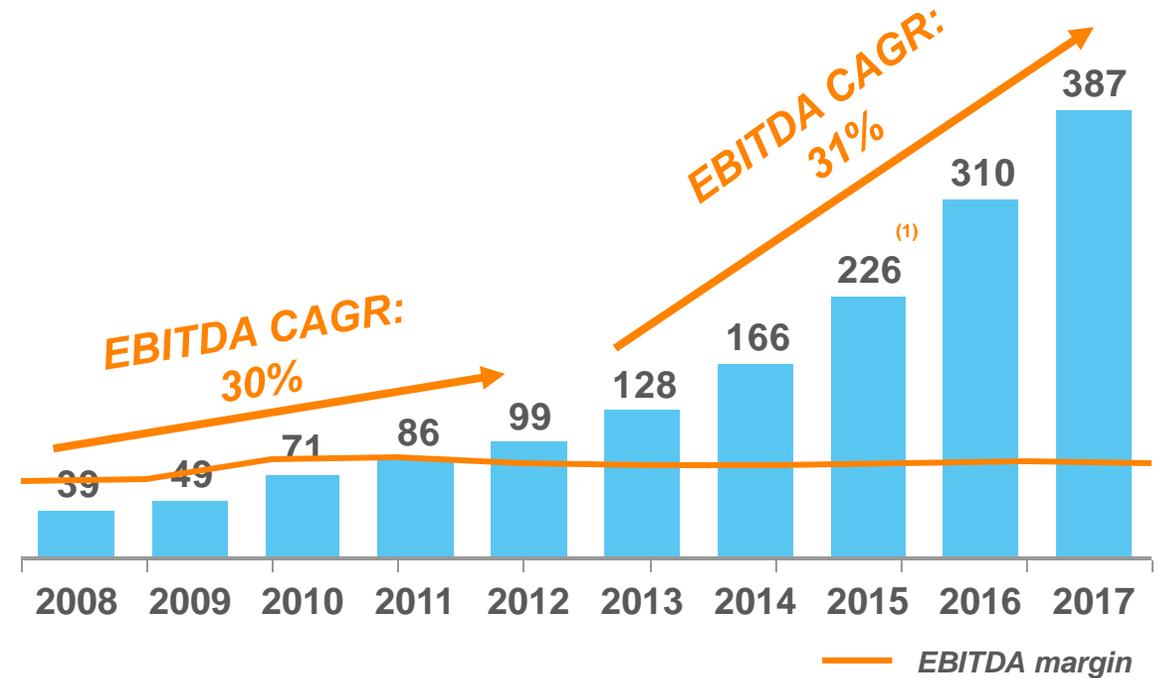
Consistent high growth track record



Rapid net sales growth (€m)



Strong EBITDA growth (€m)



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*
- *Converting EBITDA margins*

3

Excellent cash generation

- *Low capital intensity*
- *Negative working capital*
- *Very fast pay-back*

4

Strong economic model

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

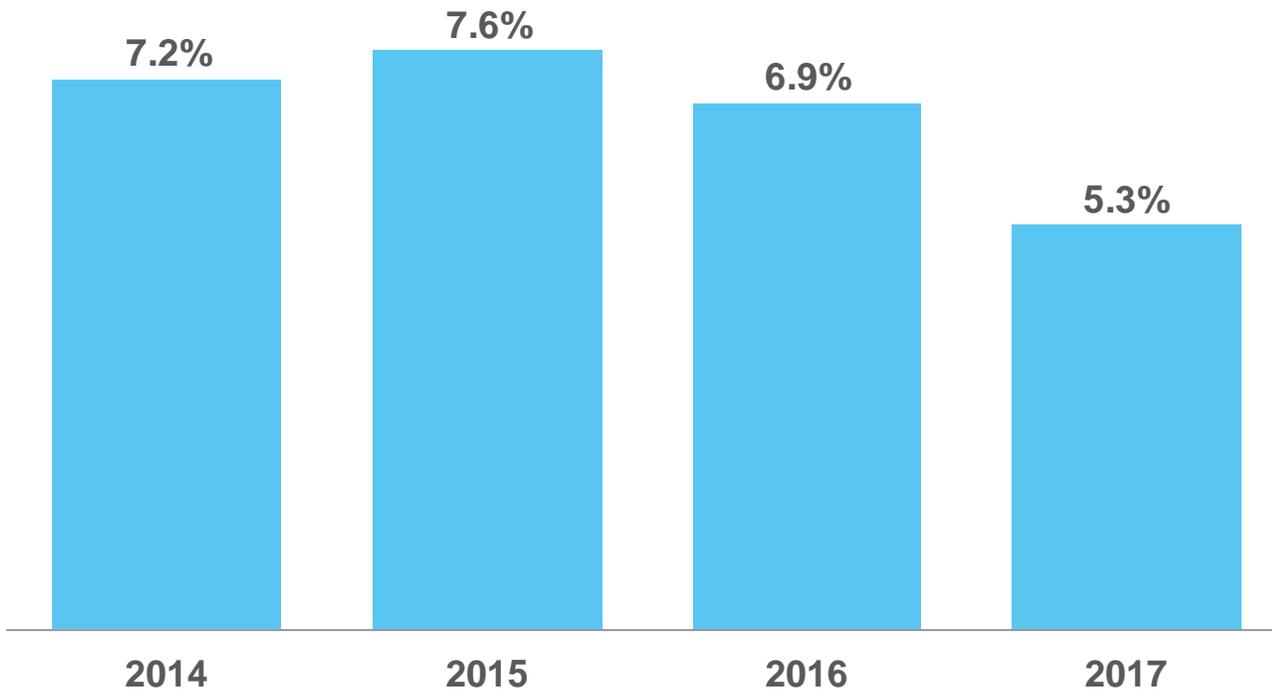
5

Tight centralised financial governance and control

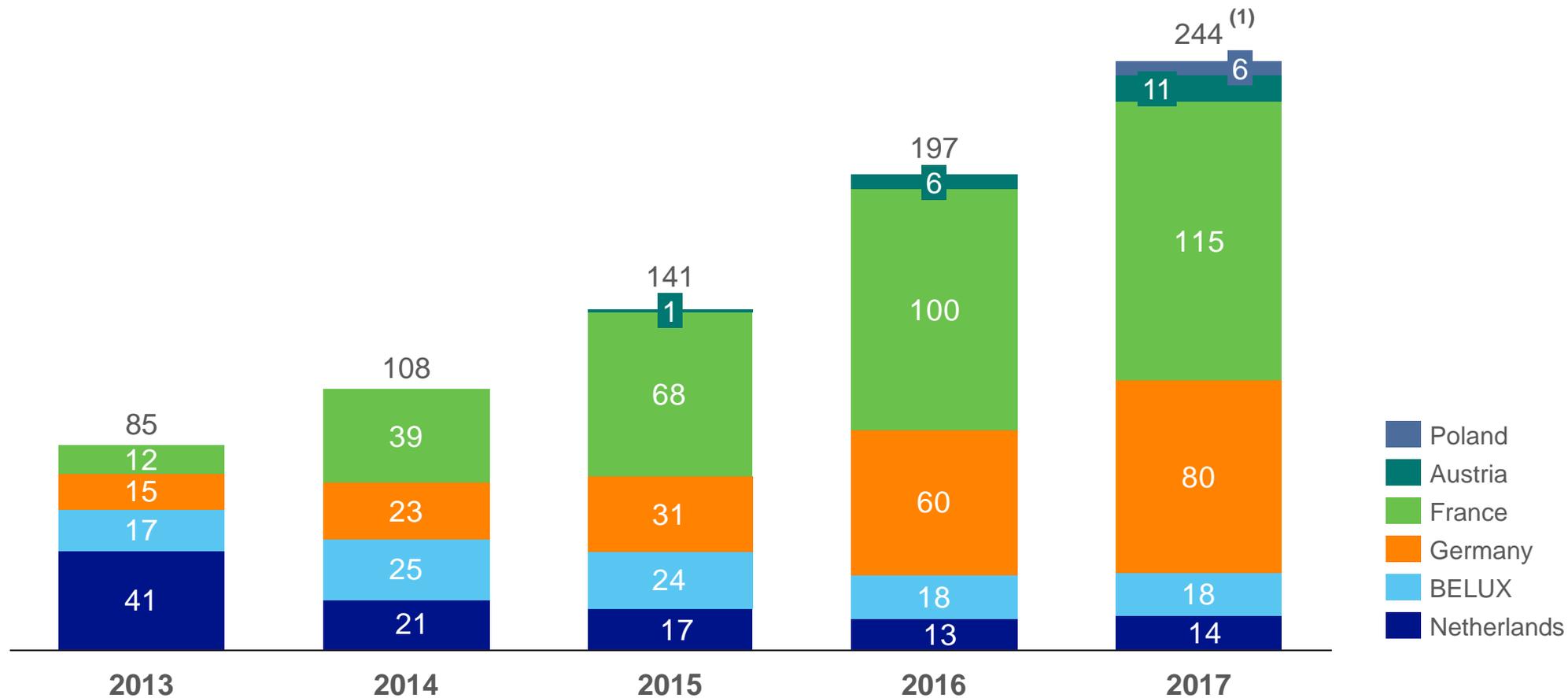
1 Strong Like-for-Like sales growth

Key Like-for-Like driver is increase in number of customers

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1 New store openings

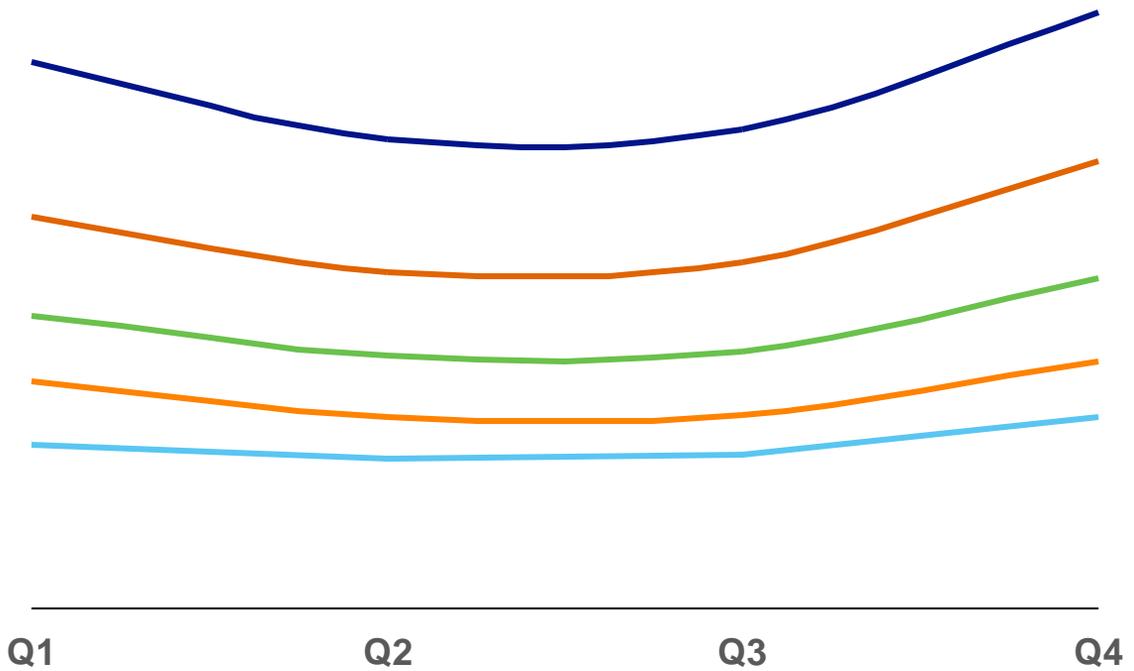


Source: Company information

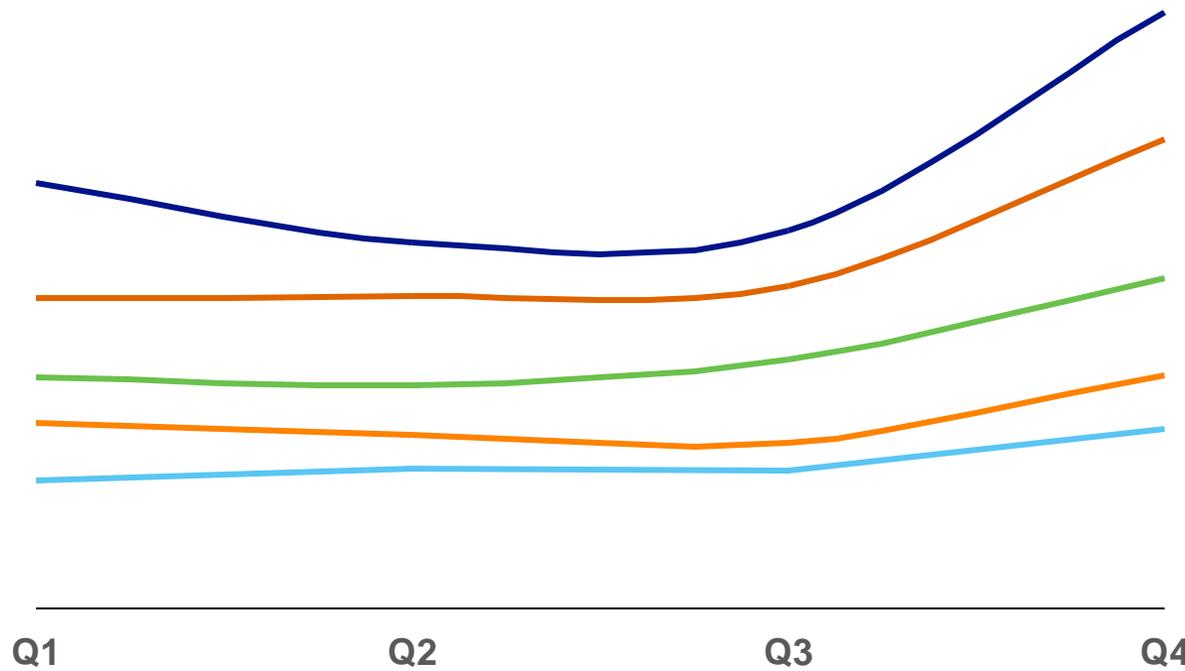
(1) Net new store openings was 243 as a result of one store closing in the Netherlands

1 Limited seasonality in sales

Net sales by trading period



EBITDA by trading period



— 2013 — 2014 — 2015 — 2016 — 2017

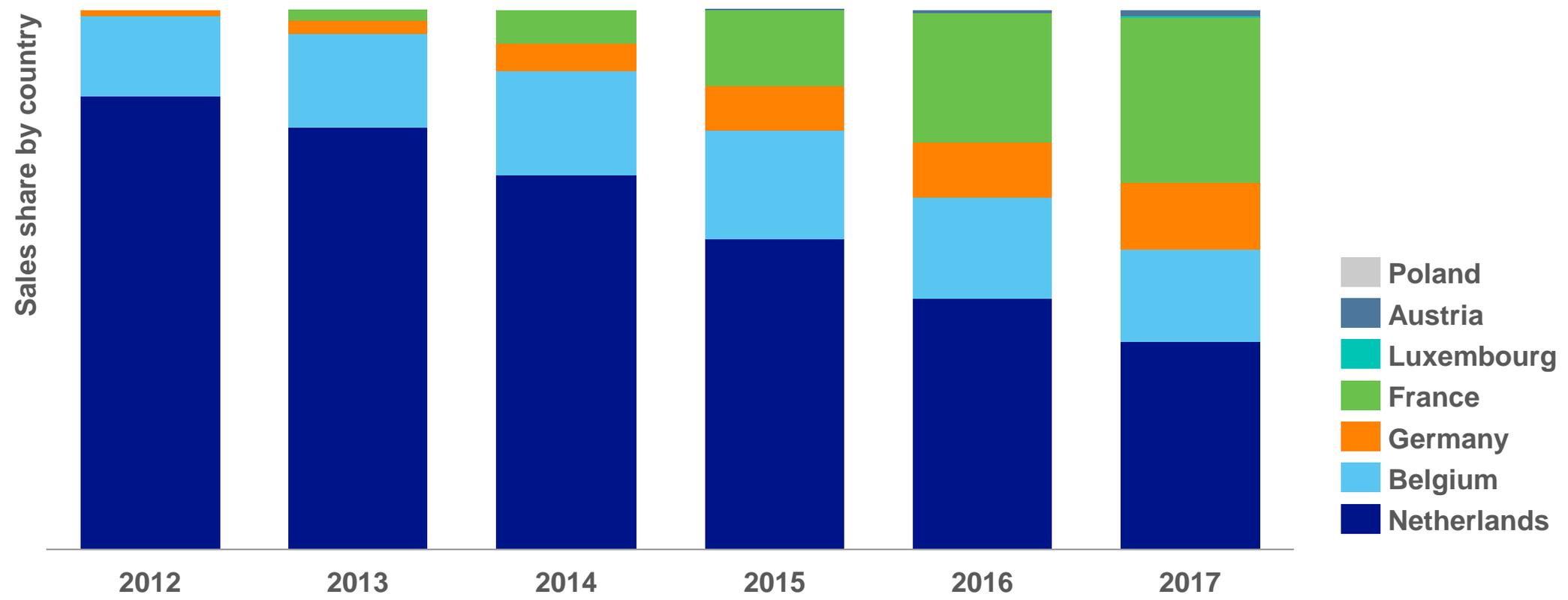
Source: Company information
Note: Q1 comprises 4 periods of 4 weeks; Q2, Q3, Q4 all comprise of 3 periods of 4 weeks

1

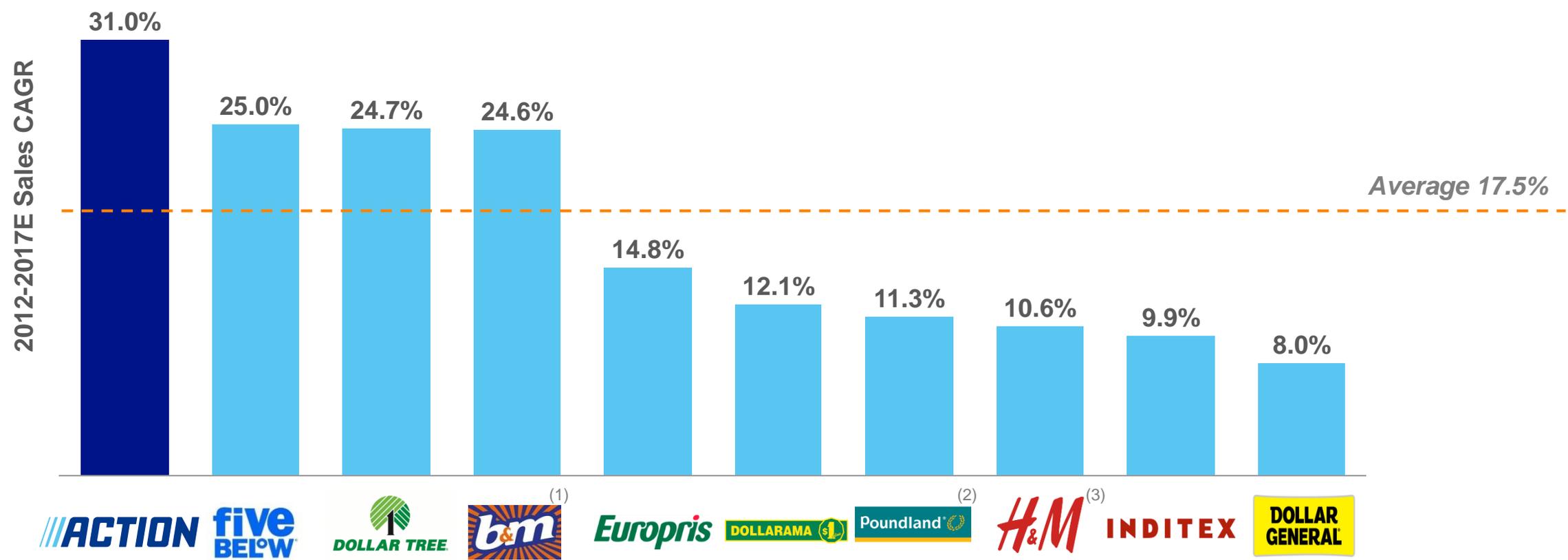
Balanced revenue mix between countries



Already over 60% of sales generated outside the Netherlands

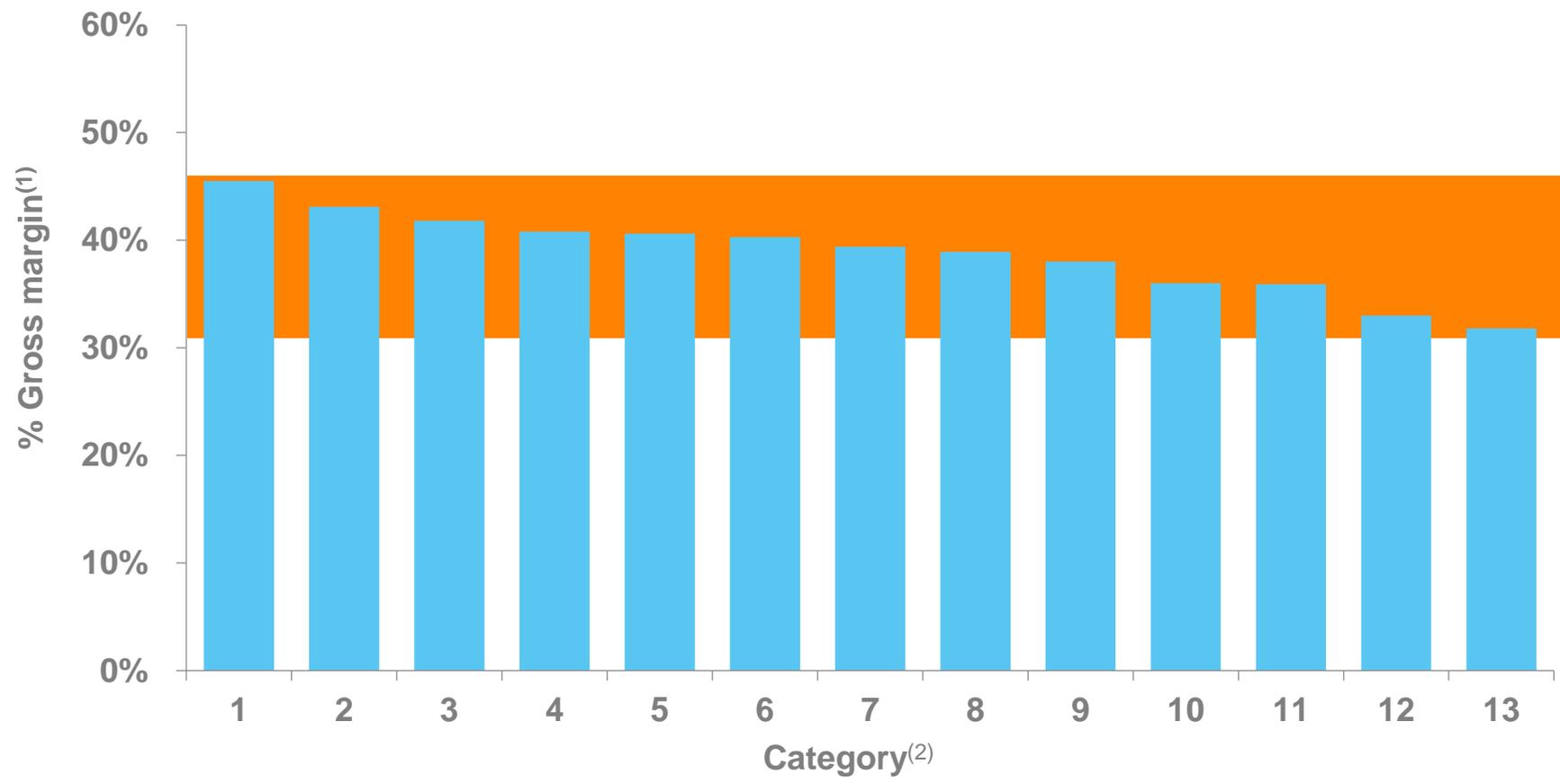


1 Superior growth versus selection of peers



Source: Company information, broker research
 Note: Sales not calendarised, fiscal year ending in January for Five Below, Dollar Tree, Inditex and Dollarama; in February for Dollar General; in March for B&M and Poundland; in November for H&M; in December Europris;
 (1) Mar-13 to Mar-18E CAGR; (2) Based on J.P. Morgan Research estimate (as of Dec-17); (3) Based on Dec-17A sales

2 Consistent margins across all categories

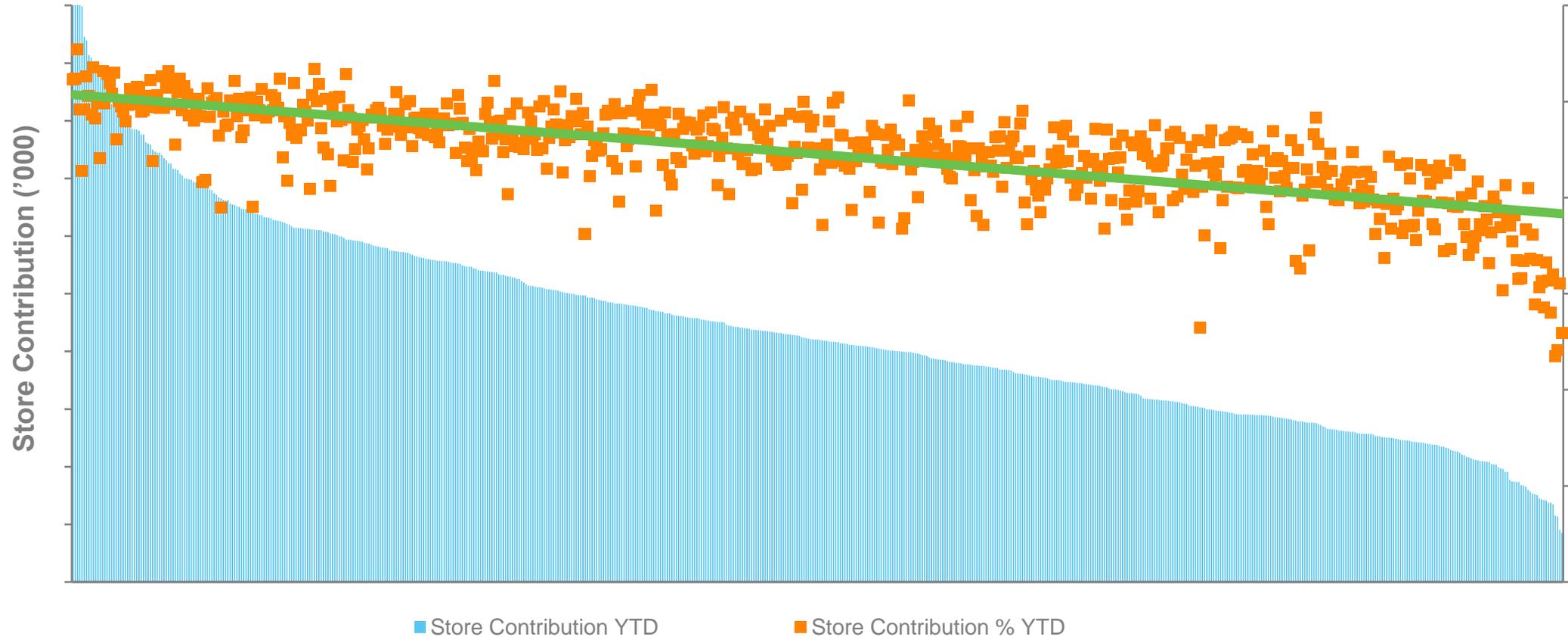


Source: Company information

(1) (Net sales - Cost of goods sold) / Net sales

(2) Excluding 14th category Sports

2 All Like-for-Like stores¹ are consistently profitable across all countries

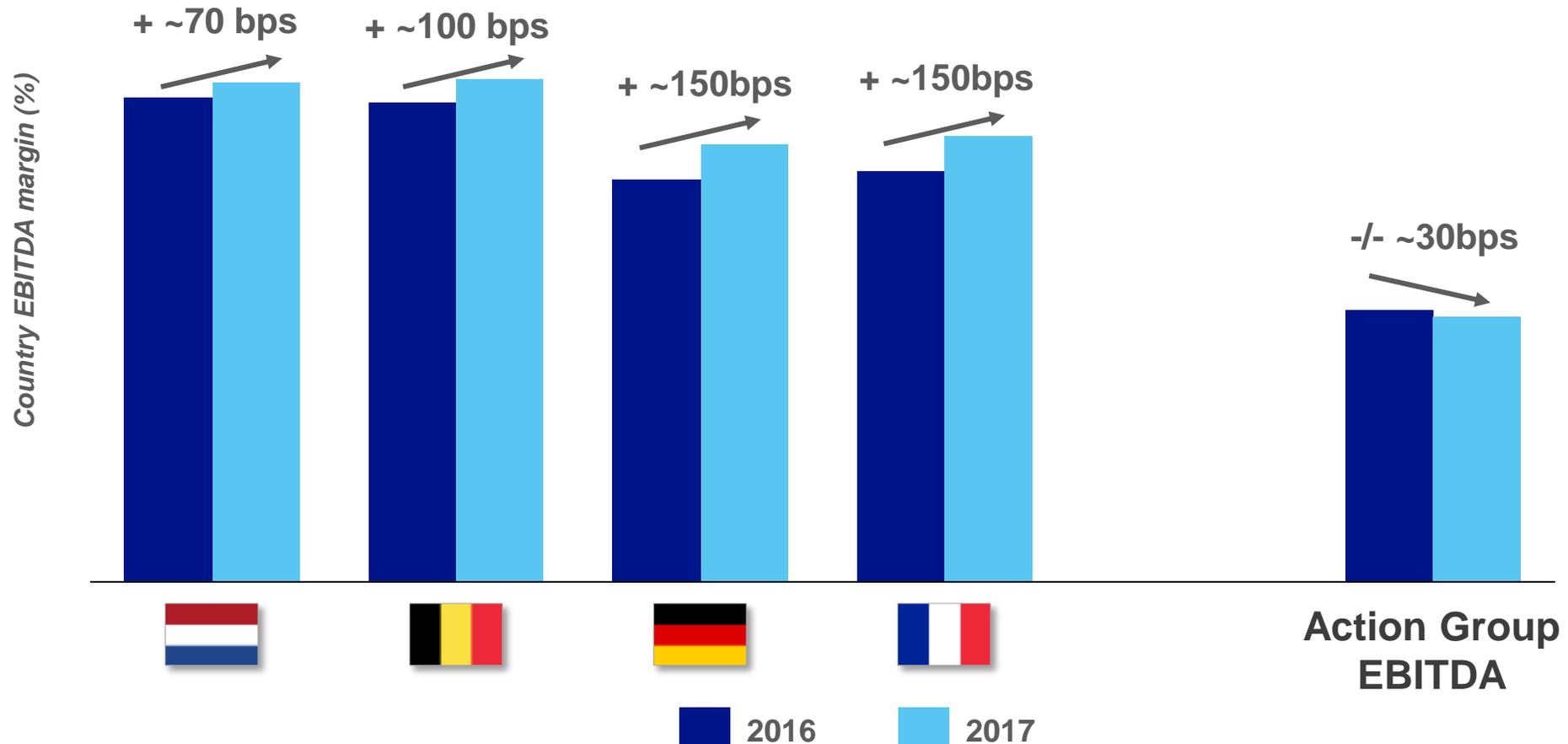


Source: Company information

Note: Chart shows store contribution (€k) and store contribution as % of net sales (2017). Store contribution is store EBITDA before indirect store expenses

(1) Like-for-Like stores includes all stores opened before 1 January 2017

2 Underlying country EBITDA margins increasing over time



3 Very attractive pay-back periods for new stores



Highly attractive new store dynamics

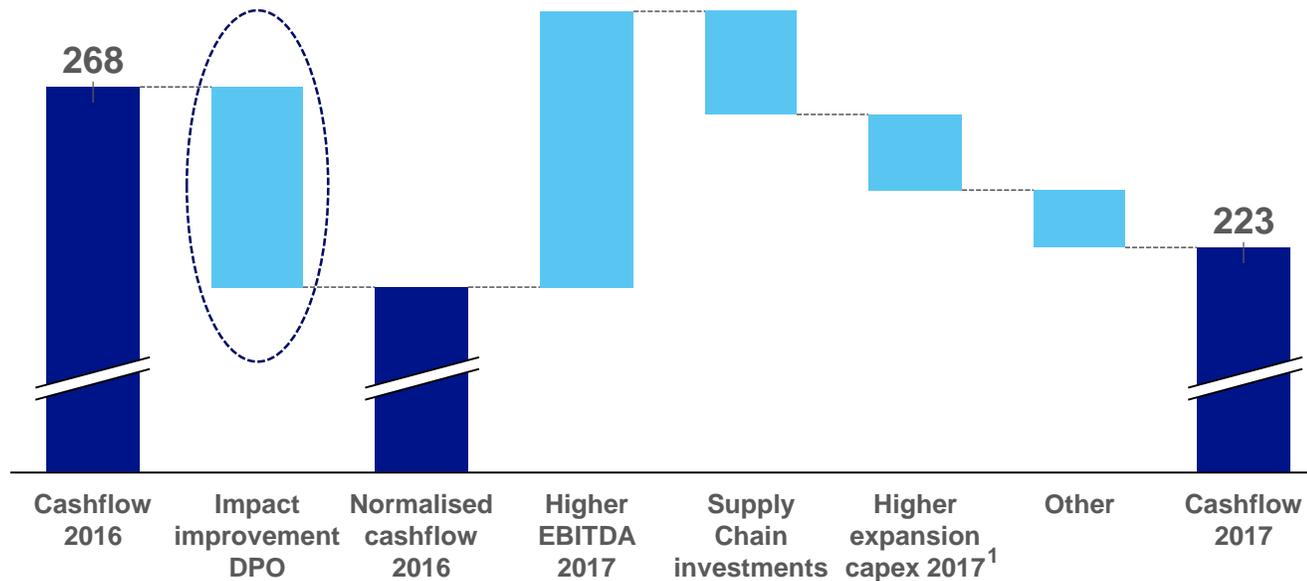
- Rapid sales ramp-up post-opening
- Real estate discipline driving low rent costs:
 - No high street locations
 - At market or lower than market rent
 - Low maintenance capex

Average payback of new stores (illustrative)



3 Cashflow in 2016 benefitted from a non-recurring structural improvement

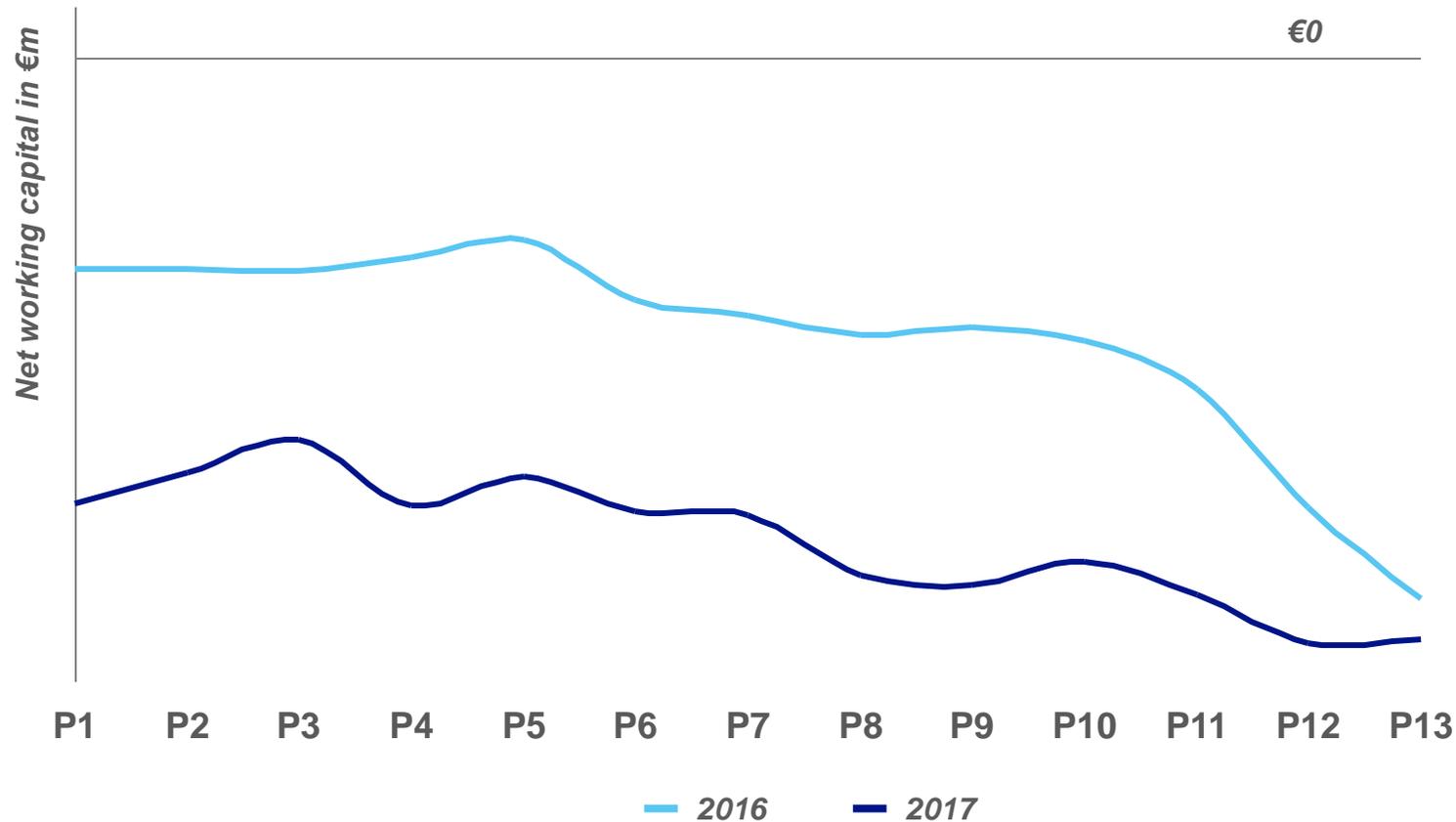
Operating cashflow 2016 - 2017



- Reported operating cashflow in 2017 declines vs 2016
- Significant difference as a result of structural improvement in credit terms in 2016
- This windfall gain did not re-occur in 2017
- CAPEX per store in 2017 remains on par with 2016
- Future operating cashflow ratios will depend on level of investments and will vary with fluctuations to year-end balances

Source: Company information
 1) Excluding capex for new DCs

3 Action enjoys negative structural 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

4 Strong economic model

Low and centralised overheads

- Buying
- Supply Chain
- IT
- Finance

Rigorous, uniform and tight financial governance

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

Proven

Consistent

Predictable

Robust

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

Action continued to deliver strongly in 2017

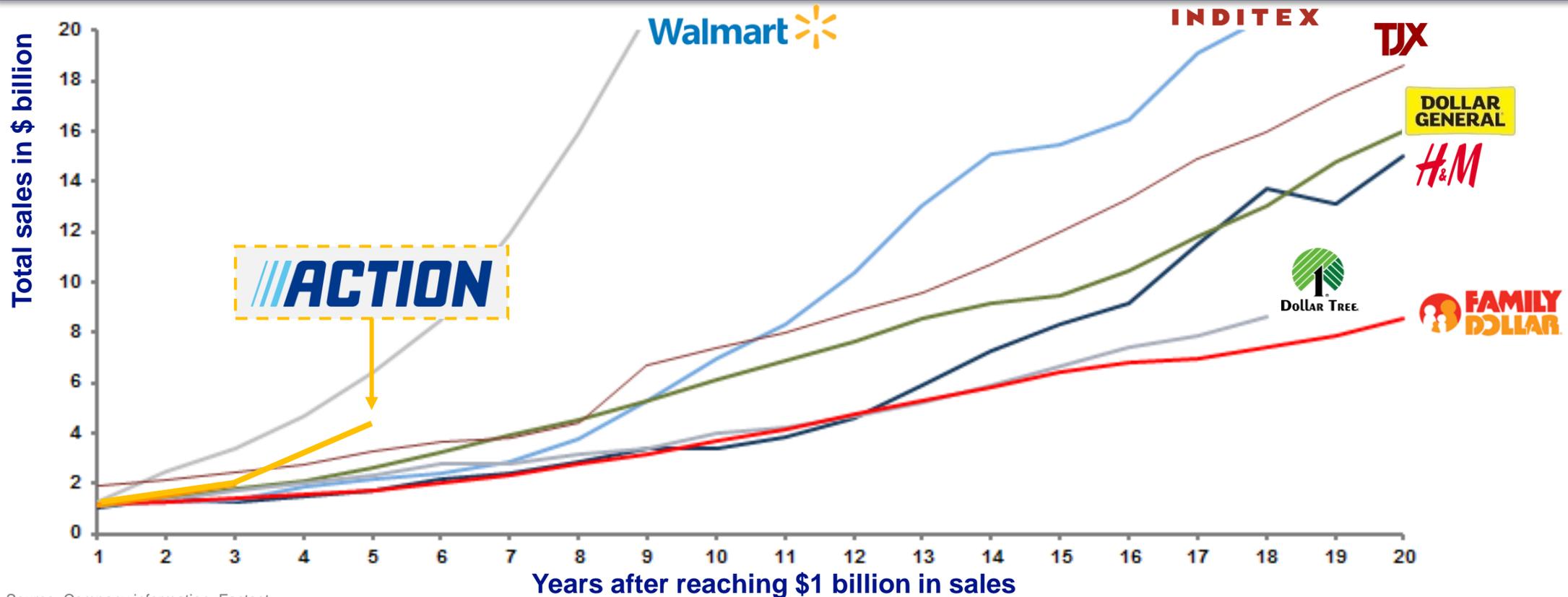


	2017	2016	Change
Sales (€m)	3,418	2,675	+28%
Like-for-Like sales growth	5.3%	6.9%	
Operating EBITDA (€m)	387	310	+25%
EBITDA margin	11.3%	11.6%	
Number of stores	1,095	852	+243

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



Thank you for your attention!