

Action

Fast growing market leader in non-food discount retail

3i shareholder / research analyst company visit
10 June 2014



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Agenda

1. Introduction and Business Model
2. Store Operations
3. Sourcing
4. Merchandising
5. Logistics and Financials
6. Real Estate and International Expansion
7. Conclusion
8. Q&A

Introduction to presenters

Ronald van der Mark - CEO



Professional experience

- 2004-2011 Maxeda, CFO/COO
- 1996-2004 Cementbouw Handel & Industrie, CFO
- 1984-1996 Various accounting/controlling positions

Hajir Hajji – Director store operations



Professional experience

- 1997 - current Action
- 2011 appointed Director Store Operations
- Worked closely with former owners

Simon Hathway – Commercial Director



Professional experience

- 2007- 2013 Wilkinson
- Head of Multichannel
- Head of Retail
- Head of Buying
- 2005-2006 AS Watson Asia
- 1997-2005 Sainsbury's, Trading

1. Introduction and Business Model



Action – Leading Benelux non-food discounter

- Leading non-food discount retailer in the Benelux
- Established in 1993, 20 years continuous growth track record
- > 400 stores
- > 15,000 employees
- > 2,500,000 customers per week
- > €1bn revenues p.a.
- Unique combination of a convenient and surprising discount format
- Everyday household needs, nationally branded products, seasonal products, consumables and textiles
- Action's business model is simple, low-risk, successful and scalable

Pan-European footprint



Action is different

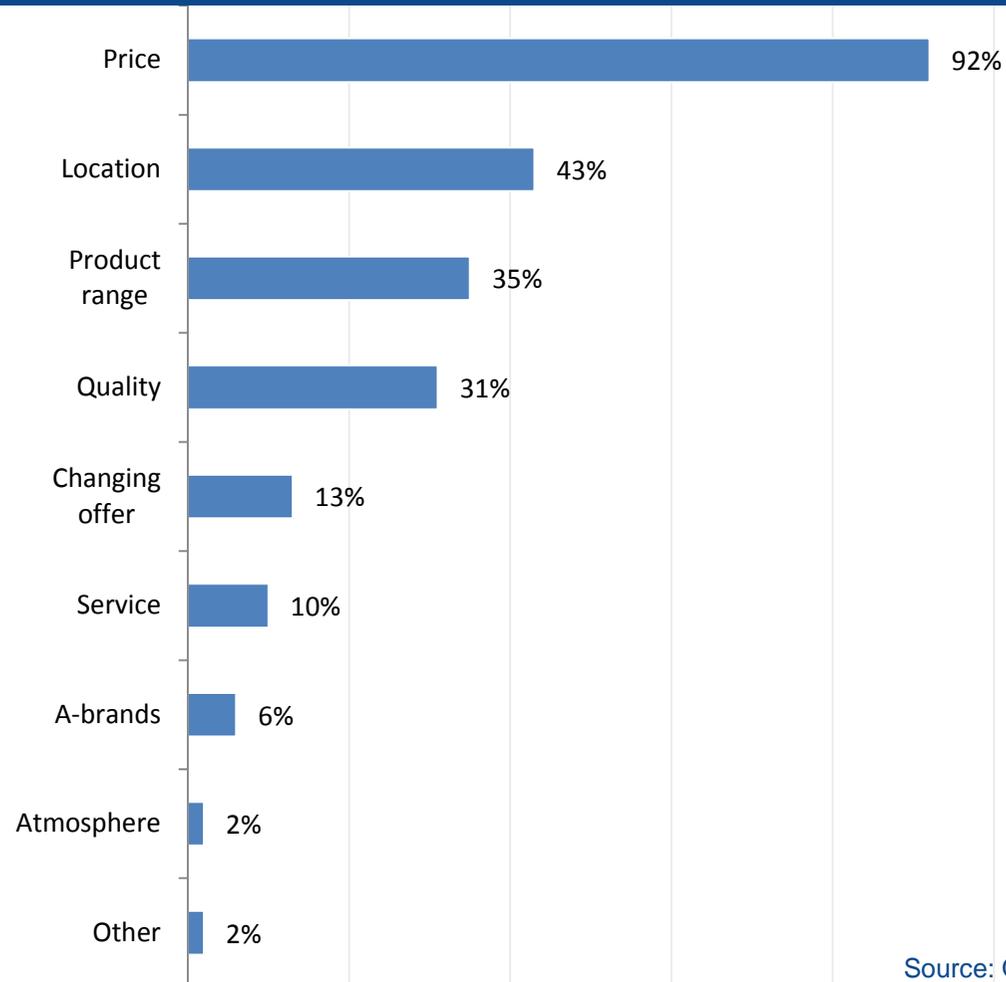
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The Action format

- Extraordinary shopping experience
- Recognized by our customers
- Simple and differentiated business model
- Strong continuous growth track record

Lowest cost pricing

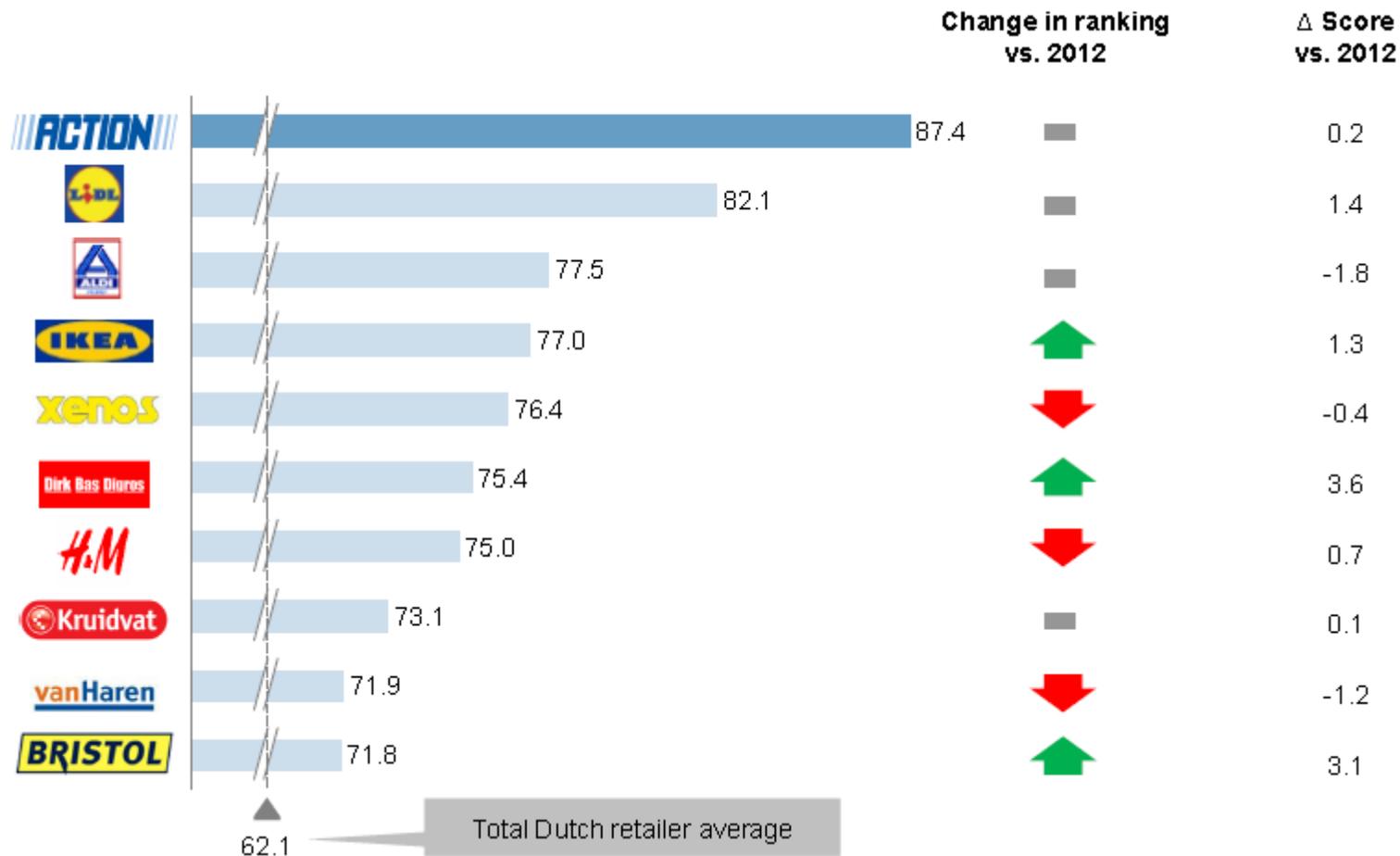
Criteria for shopping at Action (% of respondents naming a criterion in the top 3)



Source: OC&C BDD Commercial Due Diligence 2011

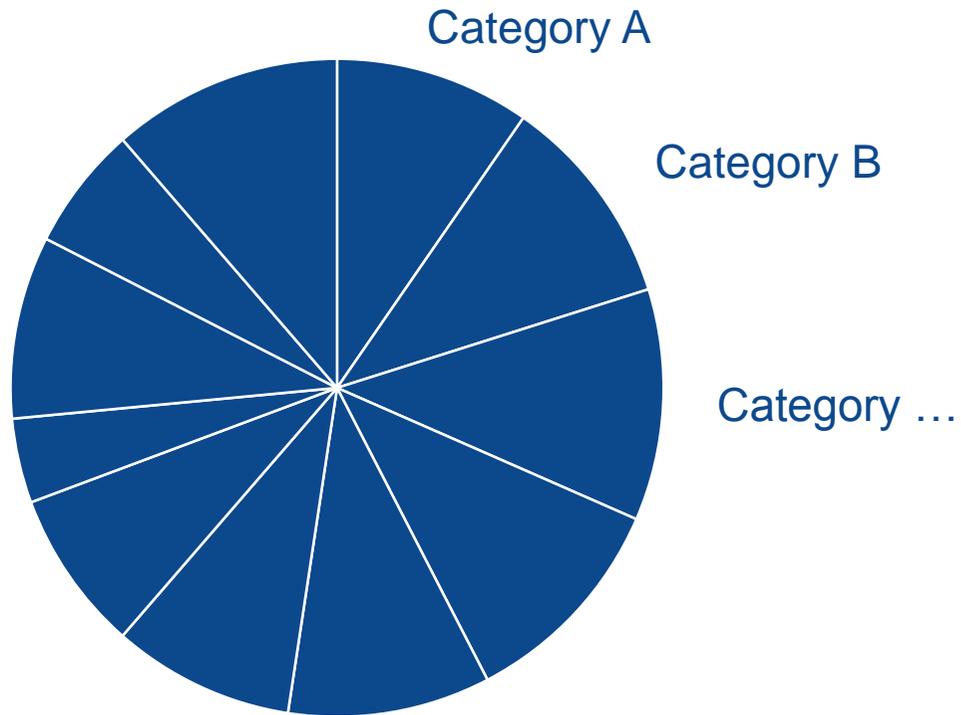
Best overall price perception

Top 10 “low price” retailers (2013: OC&C Proposition Strength Index score (0-100))

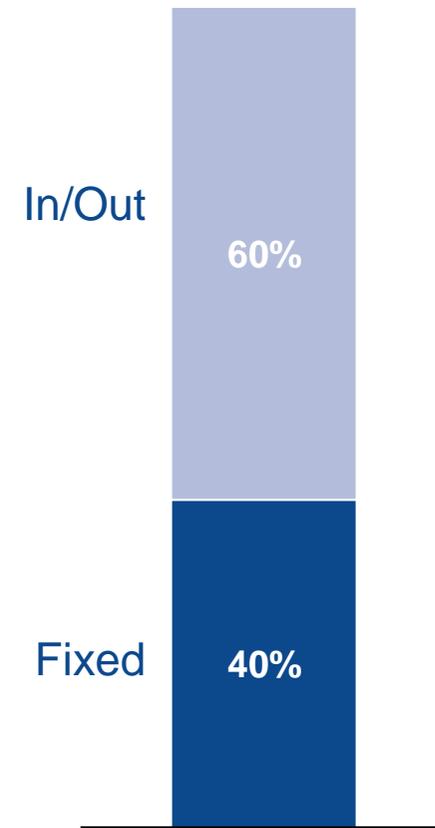


Broad and surprising assortment

Well diversified sales by product category

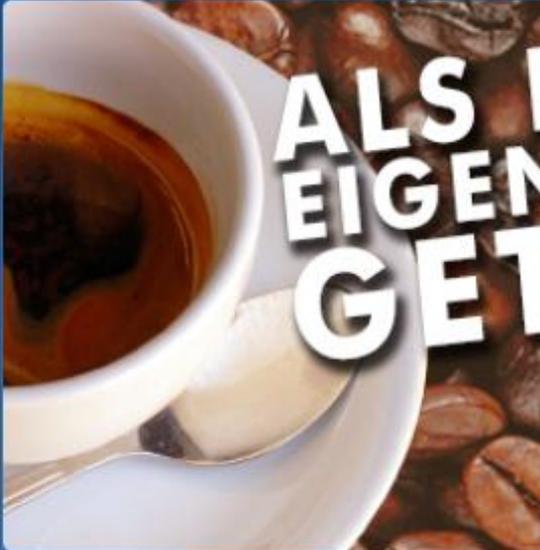


Breakdown of sales by type



No concessions on quality

Home Weekaanbiedingen 100 Nieuwste artikelen



100 nieuwste artikelen | Bekijk

ACTION

DE NUCHTERE STEWARDESS

Je vraagt het je toch af: wat voor handbagage nemen de stewards en stewardessen van KLM zelf mee? Je ziet ze weleens door de vertrekhallen lopen voor een kort vluchtje, met trolleys in alle soorten achter zich aan. Wat wel overeenkomt is de kleur: zwart. 'We moeten onze eigen handbagage kopen', zegt een KLM-stewardess in de aankomsthal van Schiphol. Zij propt net iets in een voorvakje van haar overvolle trolley. Veel collega's kiezen volgens haar voor een simpel model van de Action. 'Die zijn best goed, hoor!' Op dus naar het schap van de snelgroeivende Action-keten waar eenvoudige rolkoffers van nylon en luxere modellen met een harde kunststofschaal staan. De prijzen variëren van 11,95 euro tot enkele tientjes. Wij kiezen voor de Hannibal, zakelijke tweewieler met twee voorzakken. Rechtoe rechtaan gestikt, het telescopische handvat voelt redelijk stevig, de wieltjes zijn lavaaiig. Maar goed, met handbagage kun je zuinig zijn. Daar wordt niet door anderen mee gesmeten. En als 'ie toch knapt gaat, haal je gewoon een nieuwe.

Luchtvaartmaatschappij KLM laat weten dat cabinepersoneel een grote en een kleine koffer krijgt. Voor in het ruim. Wie toch een rolkoffer wil, moet die zelf kopen.

Hannibal, 2,4 kg, 16,95 euro, action.nl



Contact Zoeken...



3.50
3.09
1.89

Kassa april 2014

Deel deze pagina + Boodschappenlijstje 0

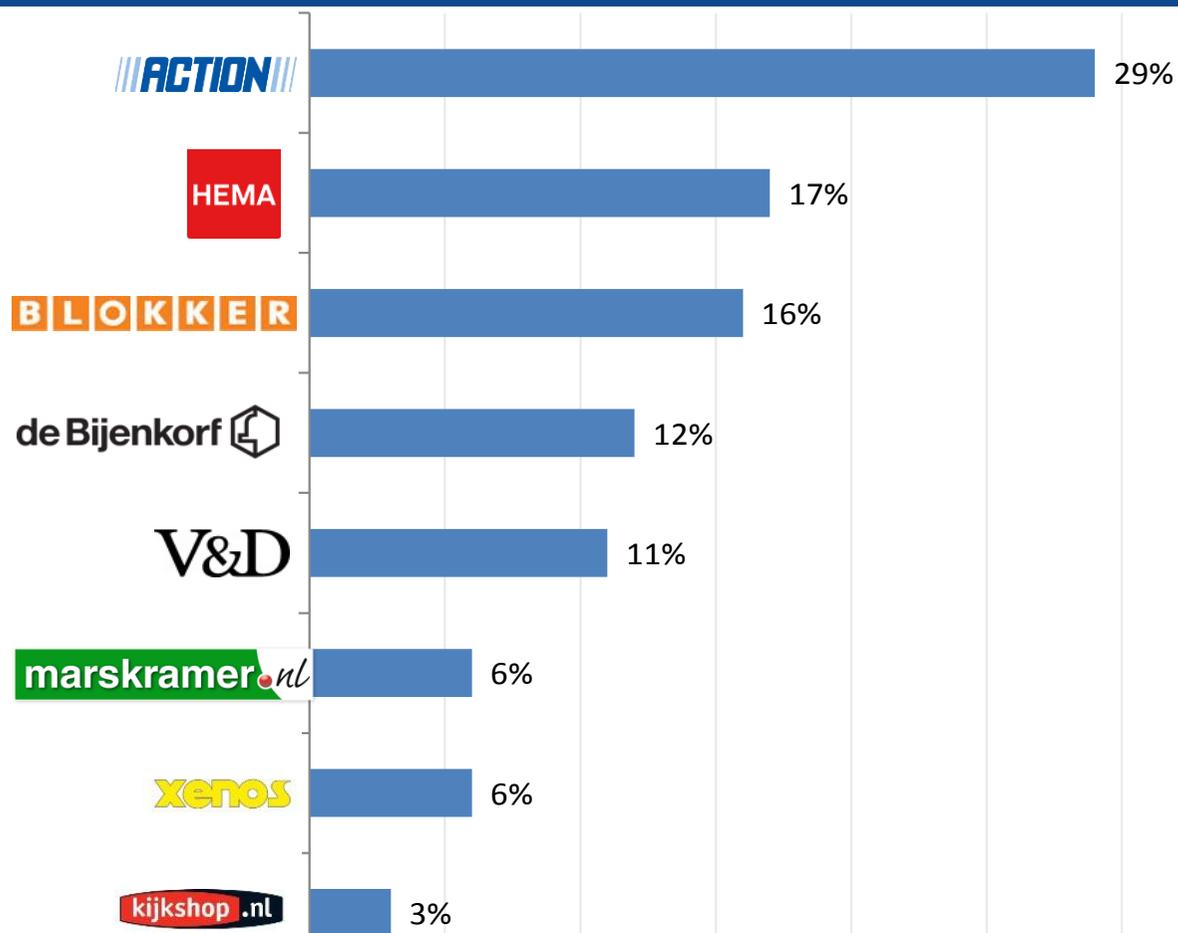
ampen staan [hier](#).

Pleasant store environment



Loyal customer base

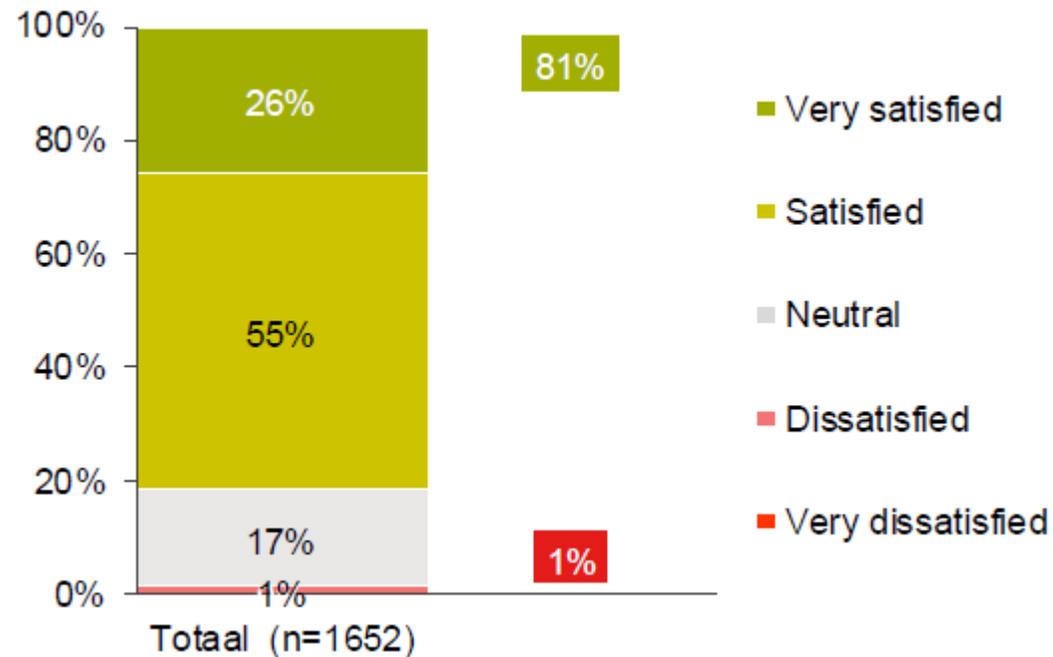
Action: favorite retailer in NL based on July 2013 survey from the largest NL consumer organization



Source: Consumentengids Magazine July-August 2013

Very satisfied customers

81% of Action customers are (very) satisfied, only 1% is dissatisfied



Source: GFK customer survey 2014: How satisfied are you with Action?

Strong word-of-mouth and free publicity



WAT WANHOPEDE WINKELIERS KUNNEN LEREN VAN ACTION

19 mei 2014 | Joris van Zoelen ★★★★★



Winkeliers die wanhopen, kunnen leren van Action. Hoe het tarten van de winkelwetten zorgt voor succes.

Action is hot. Voor wie er nog nooit geweest is: gewoon een keer doen. Ook als de formule je niet aanspreekt, zal het succes je overtuigen. Action startte in 1993 en precies 20 jaar later opende de 400ste winkel. Door te breken met de

Hollands retailsucces richt vizier op Europa

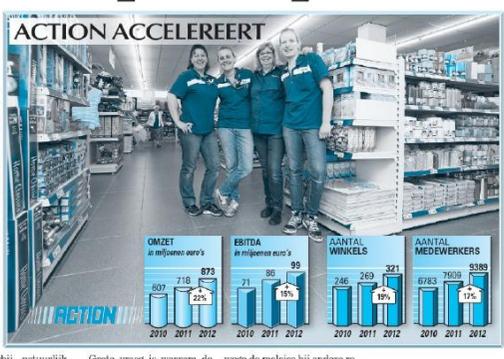
WITTE RAAF IN DE WINKELSTRAAT

door EDWIN VAN DER SCHOOT

UTRECHT - Daar waar talloze retailzaken in problemen raken, opent Action wekelijks twee nieuwe zaken. Het concern maakt vandaag recordcijfers bekend, en de bouw van een tweede distributiecentrum. Voor 2014 worden er in Limburg, waar dat centrum komt te staan, 600 tot 700 mensen aangenomen. Het voorbeeld voor de mensen achter Action, dat zich niet wil laten vergelijken met Aldi of Lidl, Schlecker of andere bij ons bekende discount zaken, is de Dollar General Store in de VS. „Op koopavond, gaat het dak er hier af.“

Om klokslag 9 uur, donderdagochtend, als de winkel opengaat, spoeden direct een tiental mensen de Action aan de Boerheidreef in Overvecht in. Autochtoon, Allochtoon, man en vrouw, jong en oud. „Op het eerste gezicht lijkt de Action klant mogelijk te streven te zijn. „Ik kennt Henne van Houtstein, die in januari van dit jaar de nieuwe vestiging in Utrecht Overvecht kwam leiden.

„Gewoonlijk komen er mis- inlopen. Daarbij natuurlij- schieen 1500 mensen per dag, op steevast verbaast over de lage Action op scherp kan verko-



Bedreigingen voor Blokker

1.

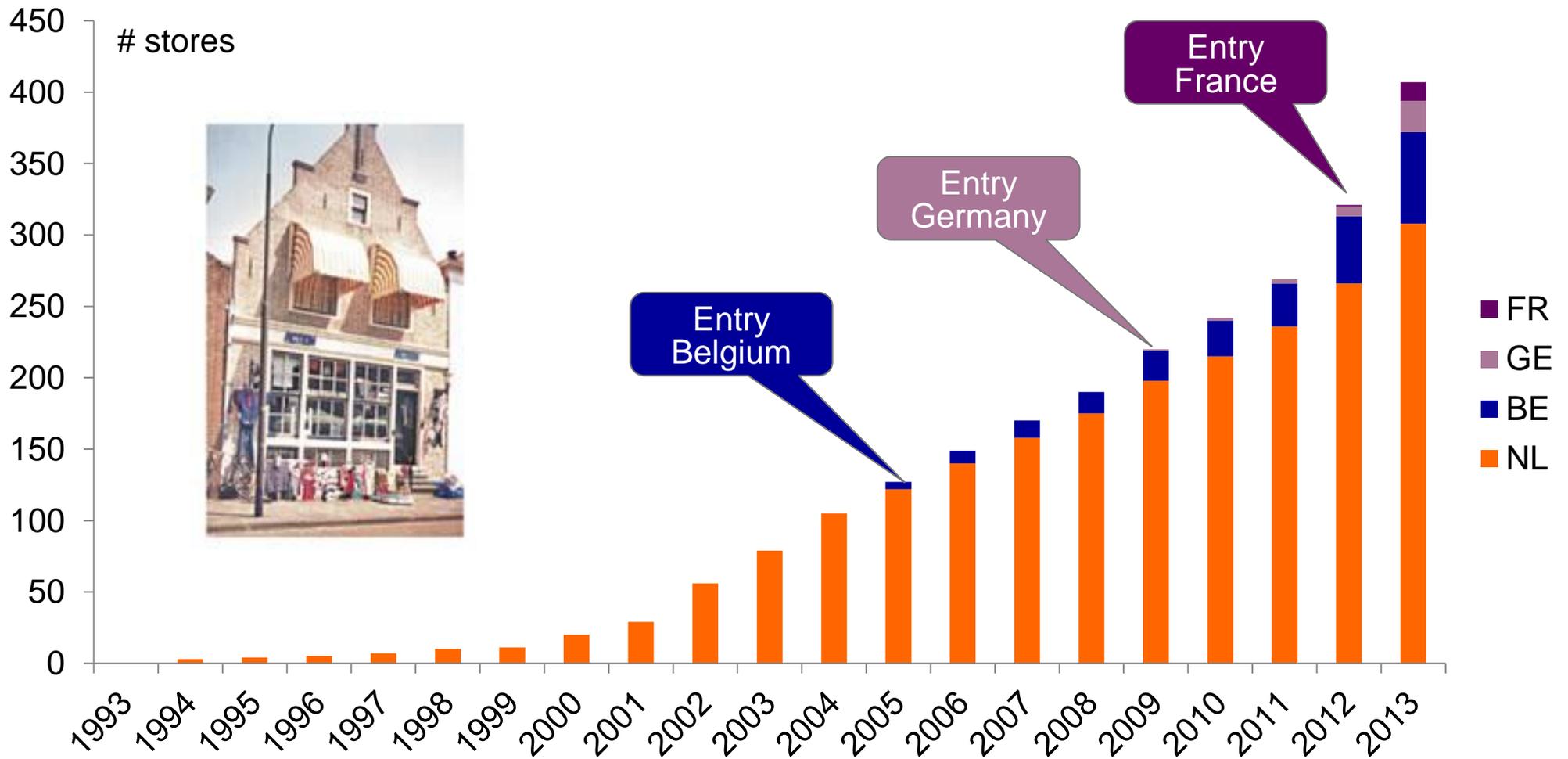
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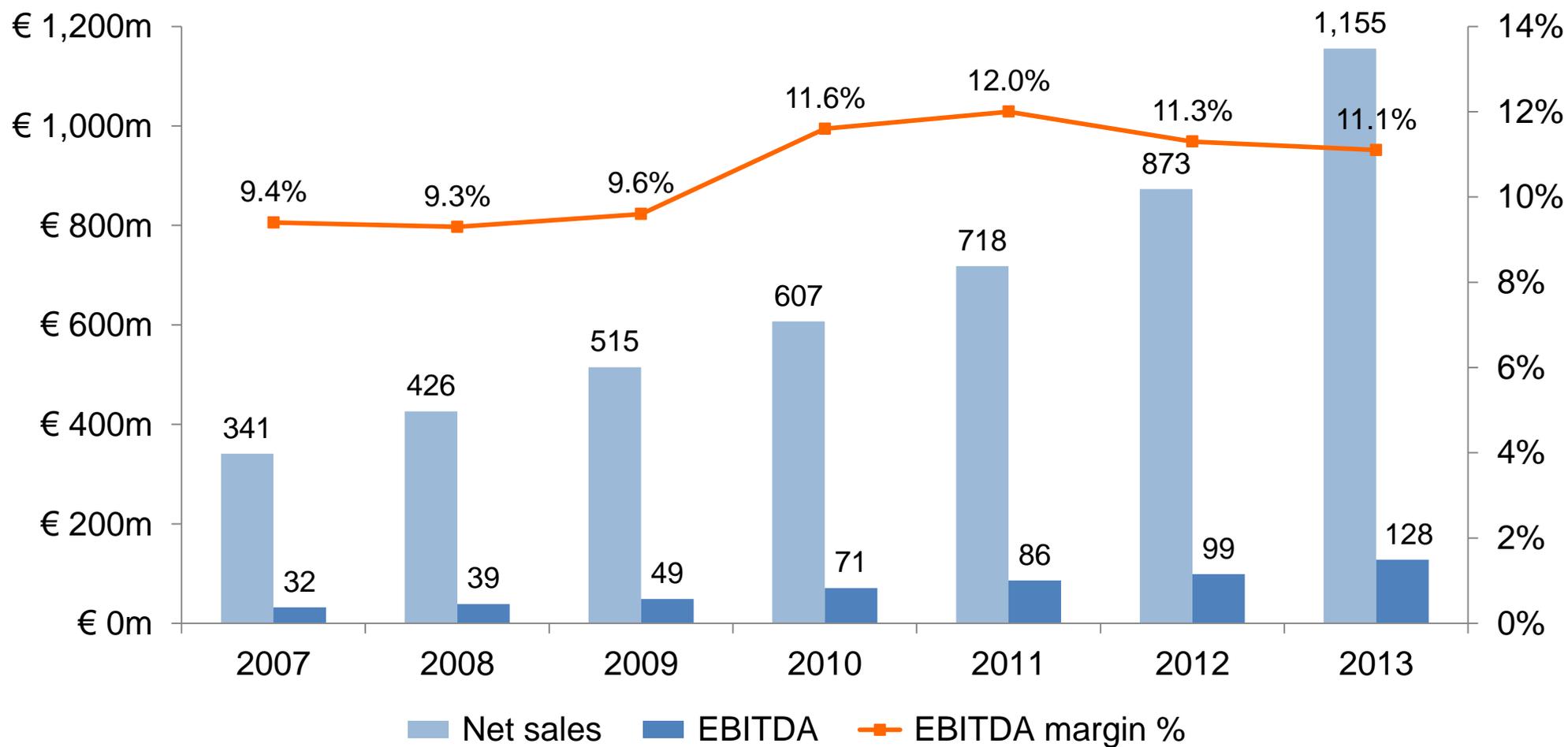
Jaap Blokker deed het niet en had er volgens betrokkenen na een jaar al spijt van.



Strong growth since first store – international since 2005



Strong financial track record



Significant growth opportunities

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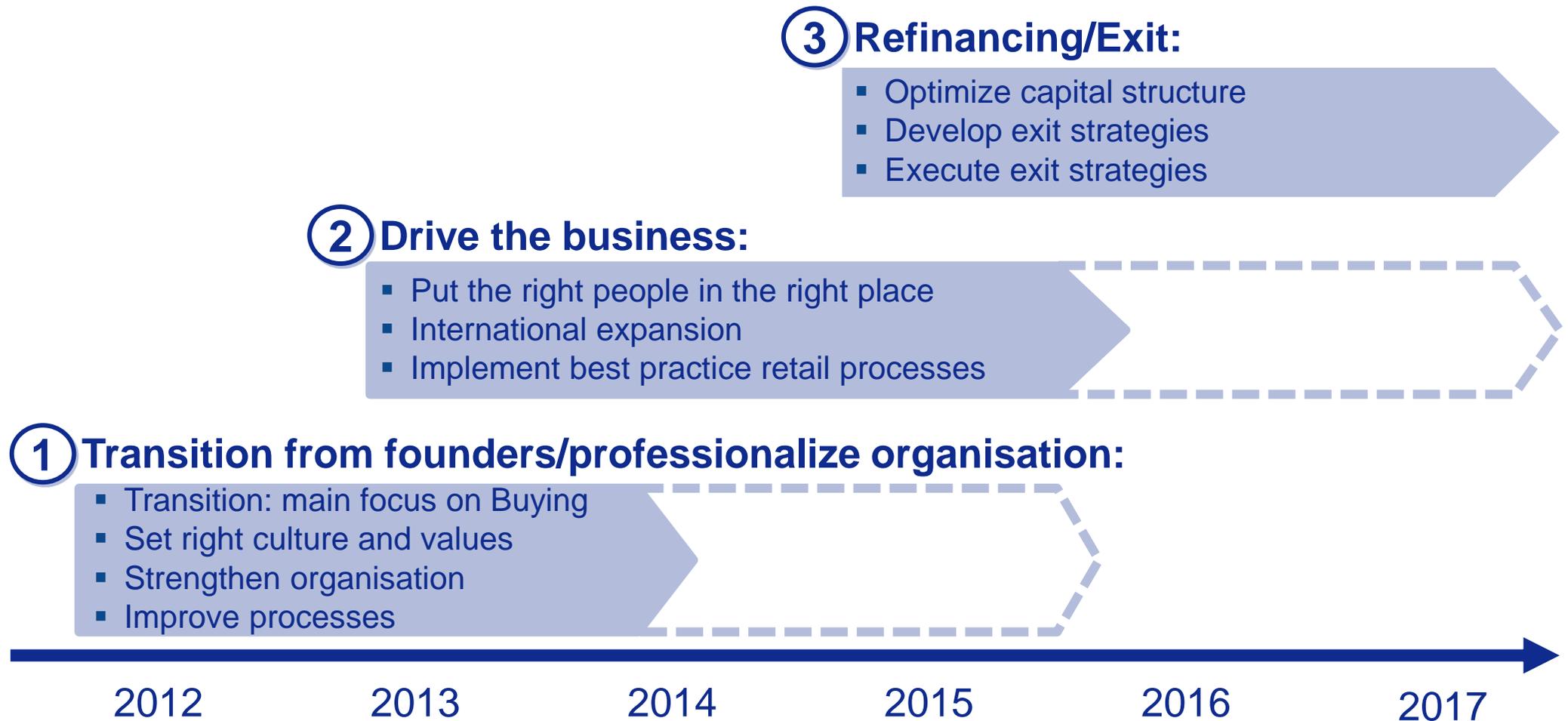
Strategy

1. Building on the success of Action
2. Fast but controlled growth in the Benelux and other countries

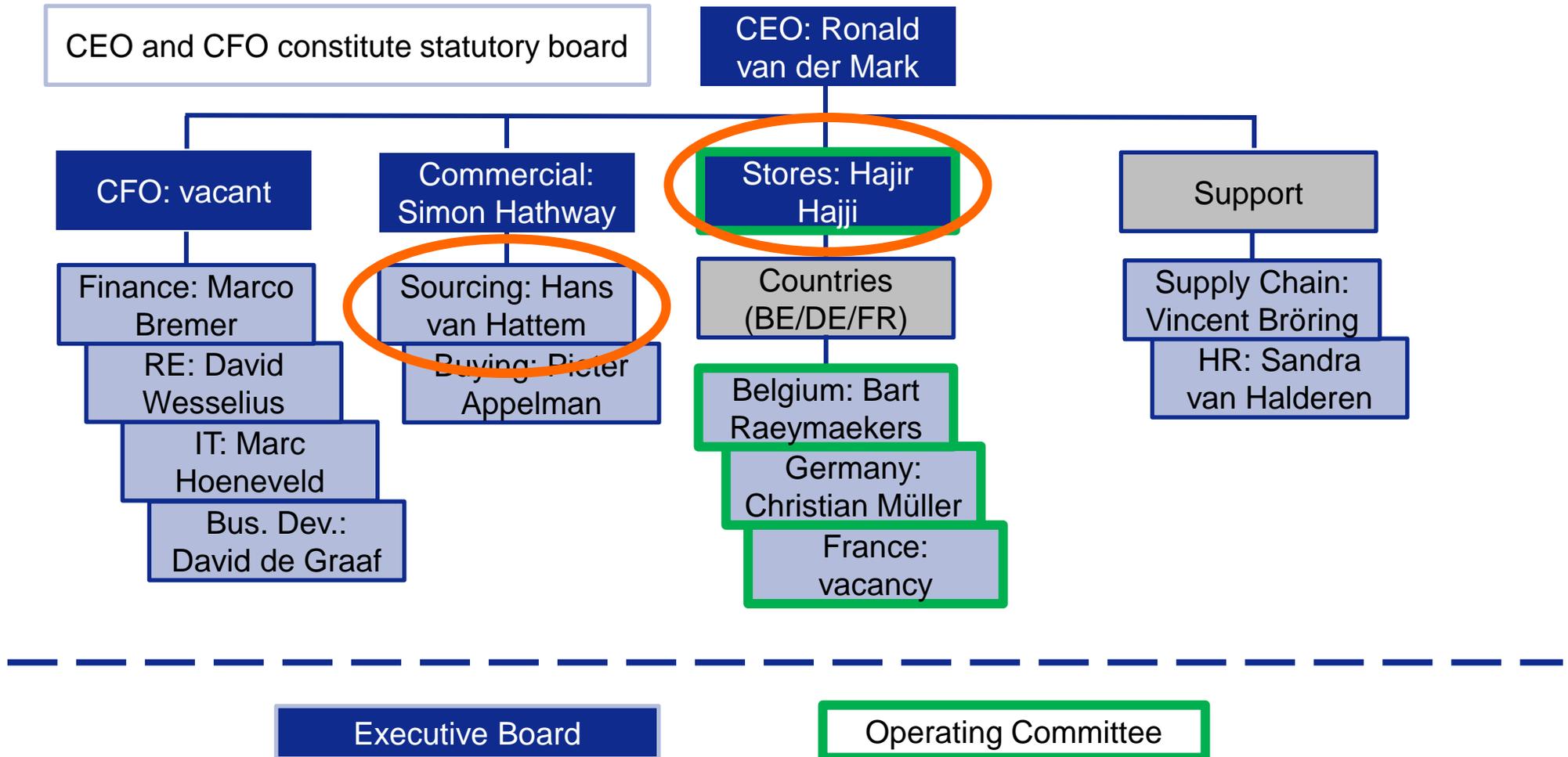
We are able to deliver

/// ACTION ///

The path to further success for Action

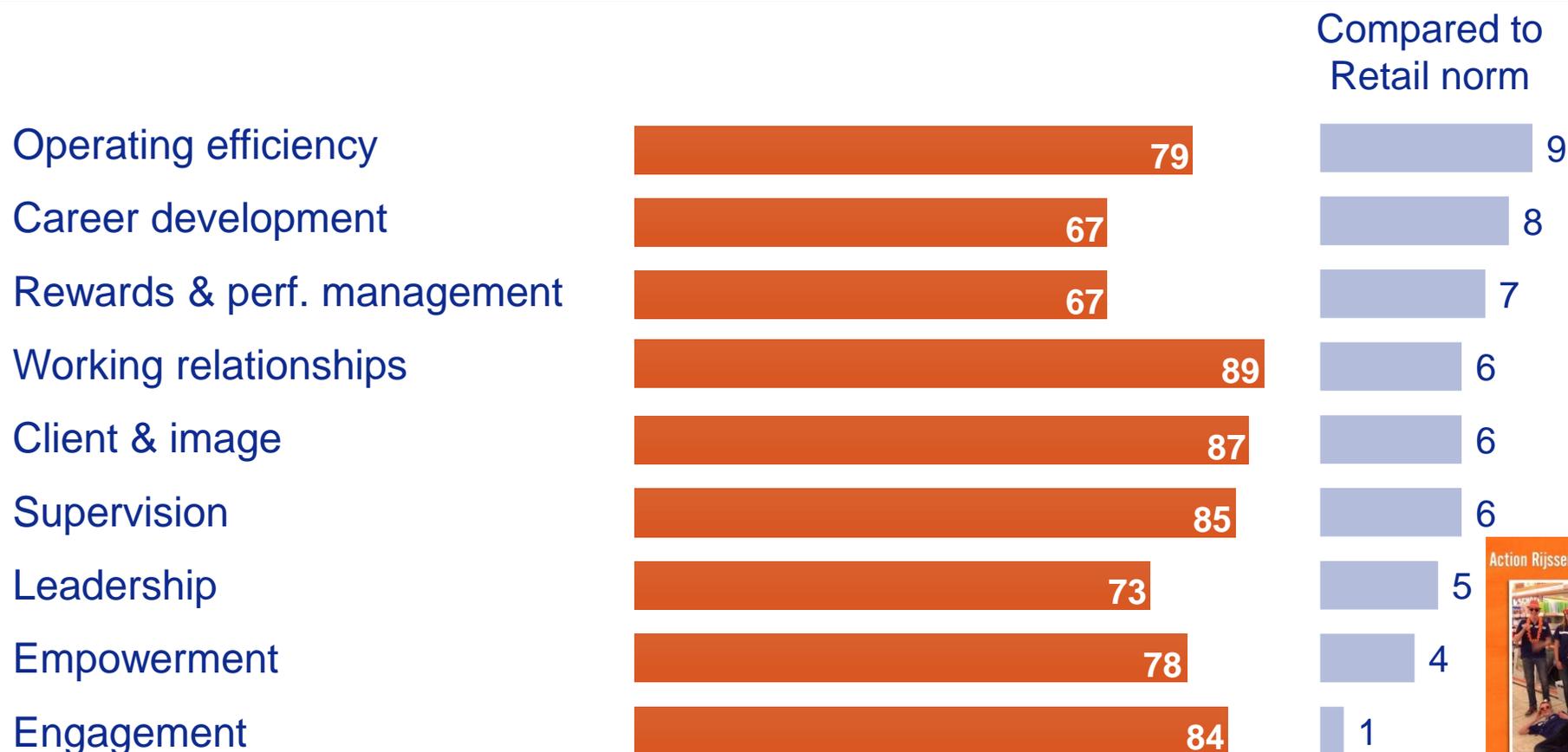


Strong and committed team



Engaged employees

Action scores higher than Retail norm on all themes



Tower Watson: Action 2013 n=8,561; Retail norm n=150,872

Strong Board and supportive shareholders

- Board:
 - Adrian Bellamy (Chairman of Reckitt Benckiser) was recently appointed as Chairman of Action
 - In addition to Adrian the Board consists of Menno Antal (3i), Robert van Goethem (3i) and Marc van Gelder (Mediq)
 - Board meets on average every 4 weeks
- Supportive and aligned shareholders:
 - Partners in the deal
 - Aligned views and interests
 - Work closely together
 - Additional support where necessary (e.g. refinancing)

And an increasing reputation

MT500
**DE MEEST
BEWONDERDE
BEDRIJVEN
2014**

RANKING	BEDRIJF	RANKING 2013
1	Ahold	2
2	Heineken	1
3	Shell	8
4	Unilever	9
5	Philips	14
6	KLM	25
7	ABN Amro	27
8	Rabobank	4
9	ASML	7
10	Jumbo Groep	6
11	ING Groep	35
12	Action	34

Source: Management Team MT 500 May 2014

2. Store Operations

/// ACTION ///

A clear and consistent strategy right from the start in 1993 lies at the foundation of Action's success

For customers

- Very low prices
- Surprising assortment
- Stores 'full, clean and tidy'

For employees

- Cost conscious
- Simple processes
- Taking care of employees

Founders' strategy and company culture captured in the 'new' business values after acquisition in 2011

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



We have kept the Founders' fair, no-nonsense culture; the business proposition has become even stronger

Store operations have become stronger and remain flexible even in the context of fast, international growth

- Ability to open up to 6 new stores in 4 countries per week
- Process 150 new products a week and frequent 'last minute deals' from Buying
- 148 trucks daily replenish all 430+ stores from 2 DCs
- Dealing with customer peaks of up to 5,000 customers a day in large stores



Launched a three-year project in 2012 to optimize and standardize store processes

Project Satisfaction

- Process blueprint for all stores in all countries
- Smarter execution of the daily work
- Activity based planning
- Improving management capabilities



Key results

- Improved store look & feel → higher sales
- More structure → higher labour productivity
- More control → increased employee satisfaction

Additional upside from new projects being implemented for further optimization of store operations and supply chain

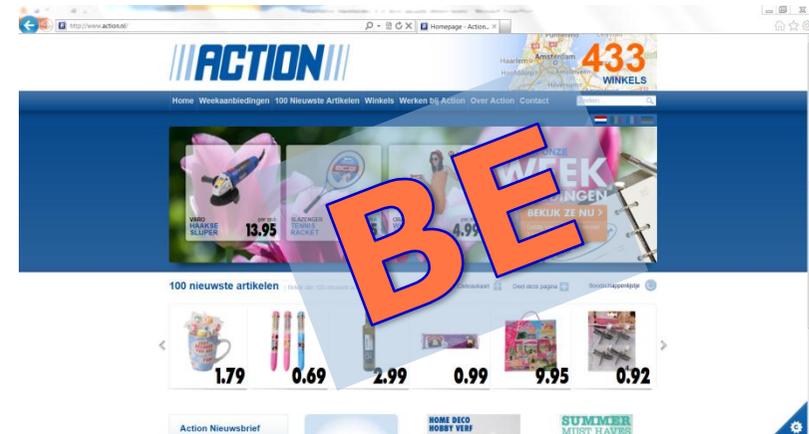
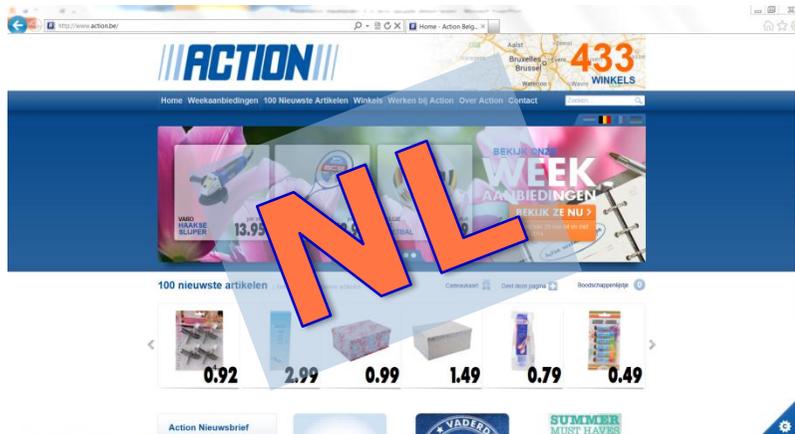
Auto replenishment

- From manually ordering to (semi) automatic store replenishment
 - Less time spent in stores
 - Higher product availability

Closed loop of goods

- From limited stock control to daily inventory count and incoming goods control
 - More accurate inventory figures to optimize store delivery and reduce waste

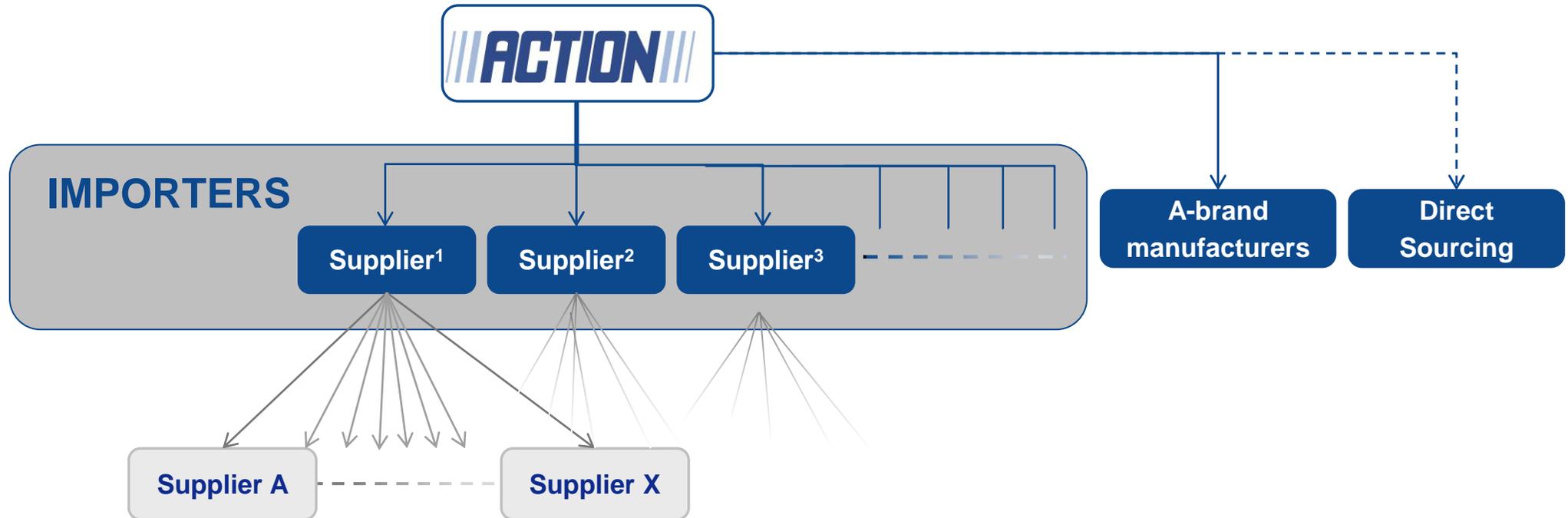
The Action format and operating model are identical in all active countries



3. Sourcing

/// ACTION ///

Strong and flexible sourcing model (1|2)



Very large (400 – 500) and flexible supplier base

1. Supplier with stock in warehouse
2. Supplier operating under supply to order model
3. Broker linking Action with suppliers with overstock

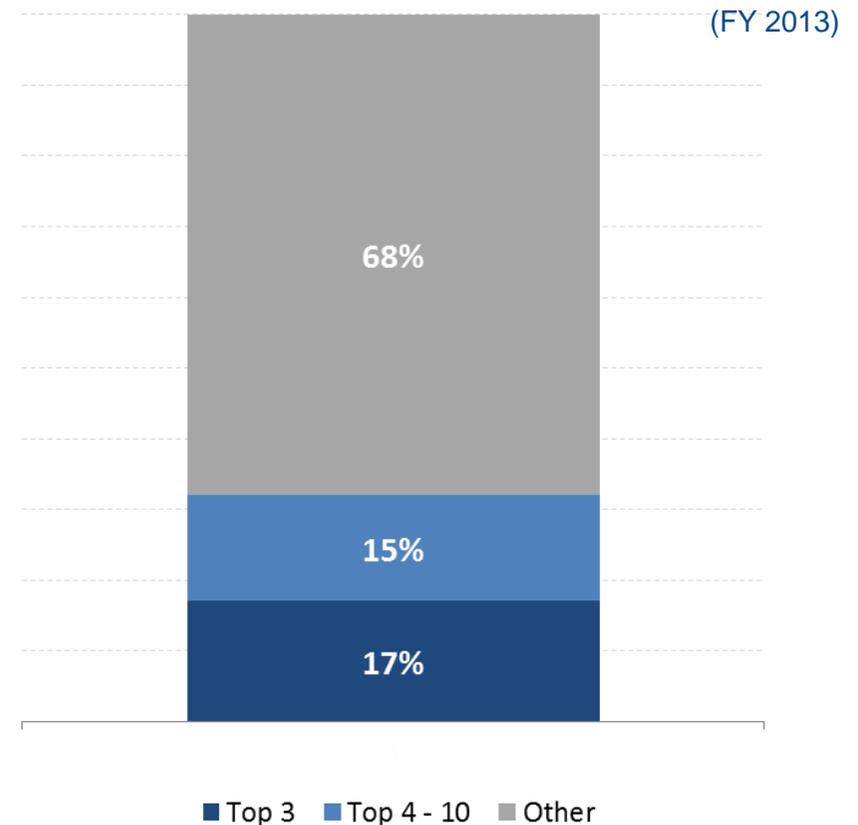


Leading European non-food importers / wholesalers are based in The Netherlands and provide Action with favourable sourcing opportunities

Strong and flexible sourcing model (2|2)

- Low cost, opportunity driven sourcing model with a high degree of flexibility
- Wide range of “can have” products but almost no “must have” products
- Flexibility used to source products through wholesalers at lowest possible cost
- Overstocks represent only a limited % of sales; wholesalers like to sell to Action as it allows them to sell overstock without disrupting their main channels
- Large volumes make Action an attractive customer to wholesalers who present their best ideas to Action
- Direct sourcing will be considered for selected products

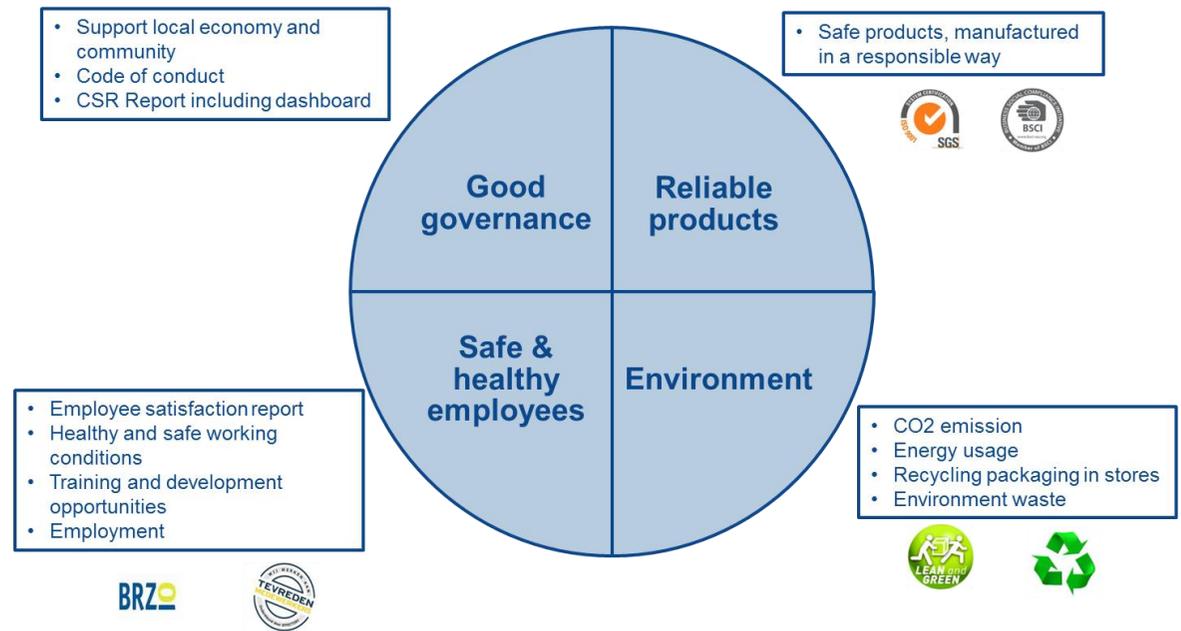
Action does not depend on any single supplier



Action has a small number of increasingly important core suppliers and a long tail of specialised suppliers

CSR – we are investing in our ethical sourcing capability and processes

- CSR disclosure in Annual report and website (June 14)
- Appointed a new Quality and CSR Manager (June 14)
- Implementation of new code of conduct and ethical sourcing procedures (July to Oct 14)

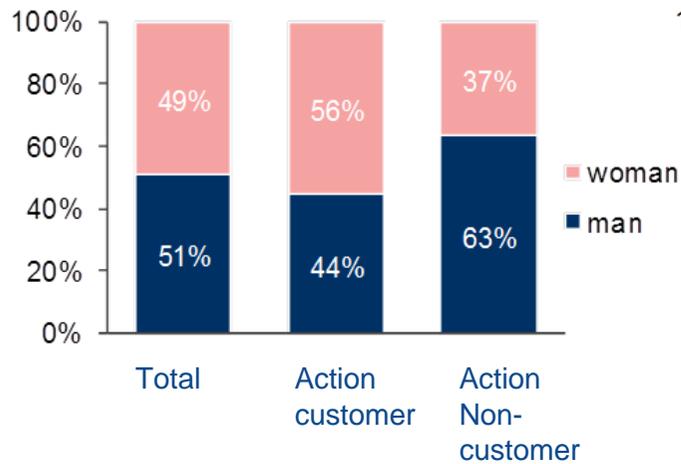


4. Merchandising

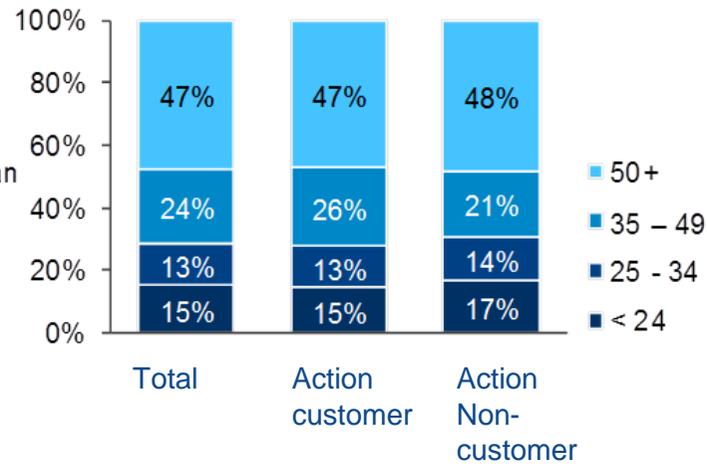
/// ACTION ///

Action attracts a broad audience across all customers segments

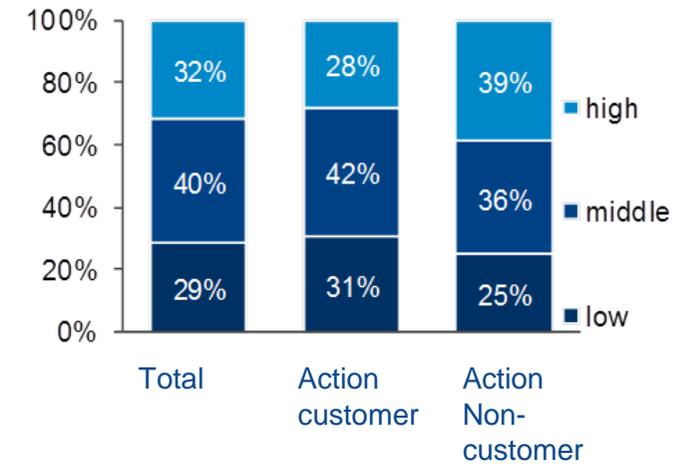
 **Gender**



 **Age**



 **Education**



Wide range of surprising low priced assortment

- Wide and non-specialized
- Highly variable assortment
- 35% fixed assortment
- 65% in-out articles
- 100-150 new articles introduced weekly
- Format: keep customer surprised and committed

Weekly promo add example



WEEKACTIE! WEEKACTIE! VAN WOENSDAG 21 MEI T/M DINSDAG 27 MEI 2014

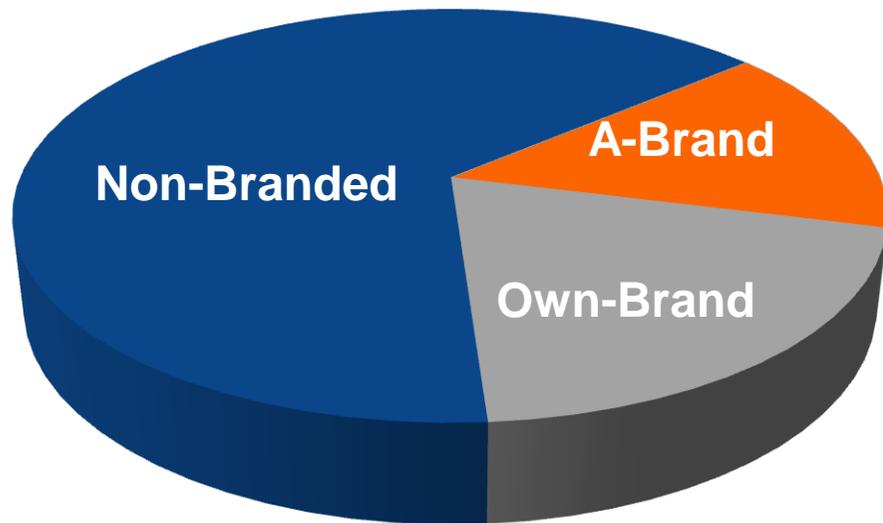
WERCKMANN DOPPENSET 4.99	WERCKMANN BITSET 4.99	WERCKMANN SWAARDE SWALIJZER 8.99	FUNNY SCHUTTINGORANGER 2.99	BLOEDPOES HANDELS 2.99	OKERUID BESTRIJDER 3.19	WESPER BESTRIJDER 2.99	DAMES JUMPSET 2.99	
RUITENPROEIER VLOEISTOF 1.19	INTEX ZWEMBAD MET FILTERPOMP 54.95	16 GB USB-STICK 6.95	BLUETOOTH SPEAKER 14.95	LUXE STRANDLAKEN 7.99	ORANJE HEREN T-SHIRT 4.49	SHERA DELICE KATTENVOER 0.49	NATUUR ZEEMLEDER 2.79	MUUR/SCHUTTING SOLARLAMP 1.19
AIRWICK LICHTVERFRISSE 0.98	MARS MINI CANDYBAR MIX 1.99	QALIFE WERPFENGELEET 7.95	BARBECUE BOL OP WIJLEN 18.95	WELLA PRO SERIES SHAMPOO 1.69	KINDER OTAPEN 3.99	Mega bloks world of warcraft Demolisher attack 12.95	Bolletje beschuit 1.19	Rexona deo roller women 1.39

WEEKACTIE! WEEKACTIE! VERRASSEND VOLLEDIG VERBAZEND VOORDELIG

Selection of new article introductions

Gieter dier Div.varianten 1.29	Plaatkussens 4st Foam vulling 38x38x2cm div.var 3.95	Kids Fun bewegende slang Div.kleuren 0.79
Dames short oranje Mt.SIM/L 2.79	Kroontjes 4st metallic Roze/goud 0.99	Blokken kalender Hout 16x10x8cm div.kleuren 2.79
Sanex bad/douchecreme 650ml demo hydraterend 2.59	Adidas douchegeel 3in1 250ml extra fresh 1.79	Super-Max scheeregel men 150ml antiseptic 0.99
Mega bloks world of warcraft Demolisher attack 12.95	Bolletje beschuit 2x100g 1.19	Rexona deo roller women 50ml neutral skin care 1.39

Increase share of Own-Brand and A-brand assortment



A-BRANDS:



NON-BRANDED:



OWN-BRAND (not Action brand):



Category Management aligned to the Action model

Principles: Commercial function **owns the formula**, based on **category management principles**, along **6 commercial levers**

ASSORTMENT	PRICE	BRANDING	PROMOTION	MERCHANDISING	QUALITY
<ul style="list-style-type: none">• Number of SKU's• Surprising assortment• Trends• Seasonal assortment• By country	<ul style="list-style-type: none">• Pricing policy• Competitive prices• Distribution across price tiers• Country differentials	<ul style="list-style-type: none">• A Brands• Own brand• White-label (non branded)	<ul style="list-style-type: none">• Promotion guidelines• Promotion planning• Promotion execution	<ul style="list-style-type: none">• Availability• Presentation• Placement	<ul style="list-style-type: none">• Defining quality guidelines• Monitoring quality• Innovation

PLANNING COMMERCIAL OFFER

DEVELOPING COMMERCIAL OFFER

EXECUTING COMMERCIAL OFFER

///ACTION///

Shelf planning to improve presentation and support



BEFORE

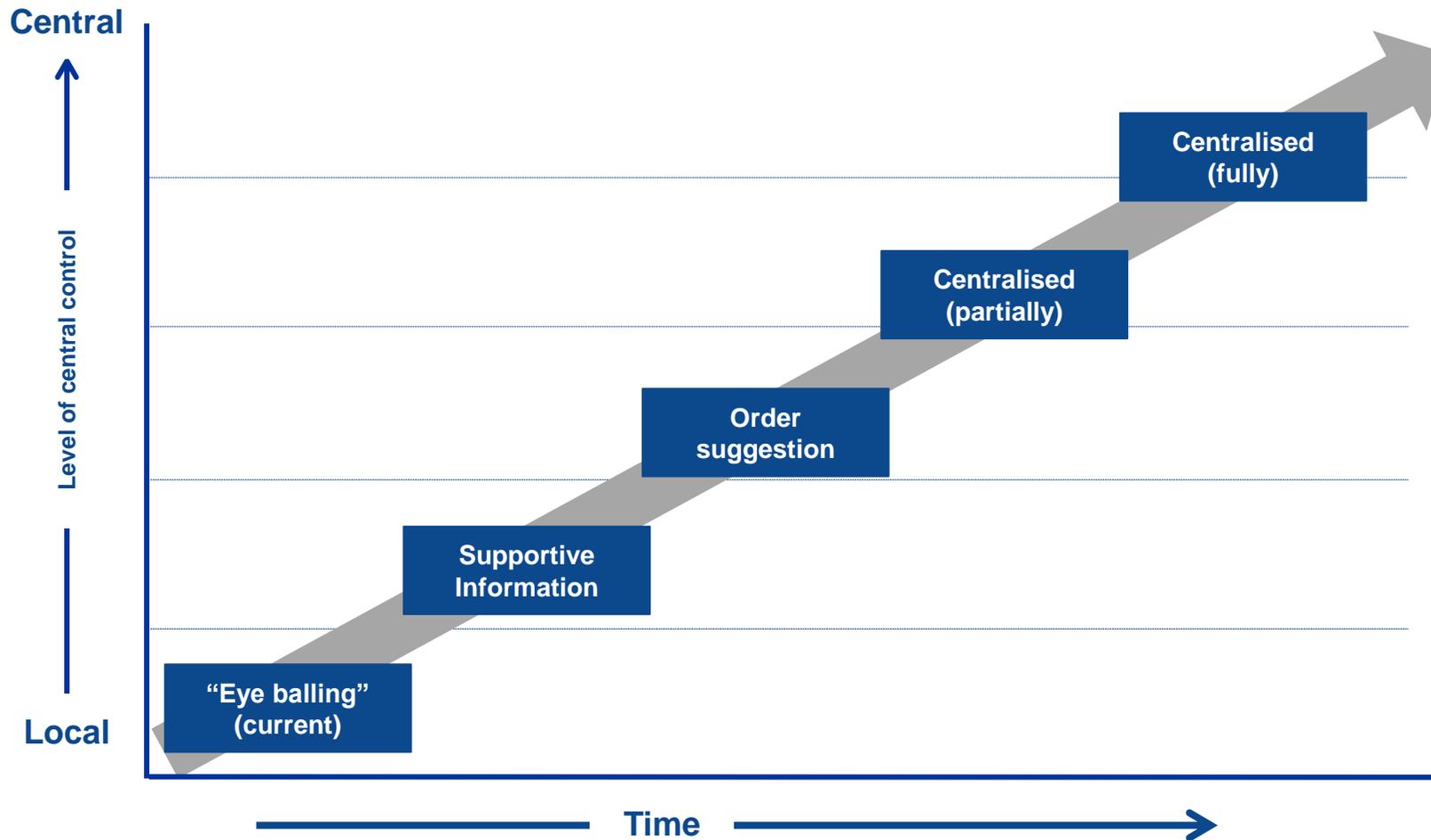
Changes:

- 6 Shelves to 3
- Peg hook used
- Products facing the customer
- Easier to maintain
- Small articles on top, large on bottom



AFTER

Development of roadmap to support auto replenishment



Online and social media are becoming more important in communicating with and engaging our customers

Over Action | Werken bij Action | Contact

ACTION

Zoeken

Goede ideeën Mijn lijstje (0) Winkels

Weekaanbiedingen | Nieuw binnen | Schoonmaken & Huishoudelijk | Kantoor & Hobby | Decoratie | Doe het zelf | Eten & Drinken | Meer

Elke week 200 nieuwe producten | De grootste in kleine prijzen | Meer dan 10.000 verschillende artikelen



20 JAAR STERK

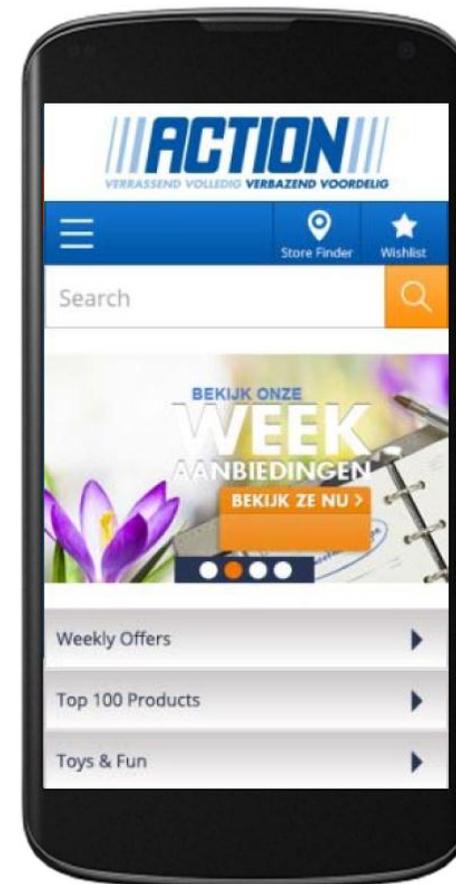
Nu 430 winkels open en we groeien nog steeds!

Vind een winkel in de buurt

100 Laatste producten | Bekijk alle producten >

 <p>js sneakersok 3pr uni 23-30 1.49</p> <p>Zet op uw lijstje</p>	 <p>kunststof doolhof spaarpot ass.kleur 1.99</p> <p>Zet op uw lijstje</p>	 <p>kunststof flexibele mand ass.kleur 0.99</p> <p>Zet op uw lijstje</p>	 <p>digitale weegschaal met maatbeker 1.2ltr 7.95</p> <p>Zet op uw lijstje</p>
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De beste merken voor de beste prijzen | Bekijk alle merken >



The Action Facebook fan page has nearly 150,000 followers

Facebook interface for the 'Action [fanpagina voor de action]' page. The main image shows a decorative arrangement of wooden hearts spelling 'WELKOM' (Welcome) on a wall. Below the image, the page name 'Action [fanpagina voor de action]' is displayed with 147,415 likes and 7,045 people talking about it. A 'Community' section contains a message: 'Ik ben een Actionfan en heb deze pagina gestart om leuke dingen die ik tegen kom te delen. Heb jij zelf ook leuke dingen gezien of gemaakt van Action spullen? Deel ze gerust ook op deze fanpagina! Vind ik hartstikke leuk.' There are buttons for 'Liked', 'Following', and 'Message'. A 'Photos' section shows a grid of images, and a 'Likes' section shows a thumbs-up icon and the number '147k'.

De Telegraaf WAT U ZEGT header with navigation links: Nieuws, Prive, Telesport, DFT, MijnBedrijf, OverGeld, Vrouw, Uitgaan, Reizen, Varen, Autovisie. Sub-navigation links: Brief aan de redactie, Wat Wilt U Weten, Stelling van de Dag, Over Wat U Zegt.

Mail naar de redactie
 iets te melden? iets te vertellen? Mail naar de redactie van Wat U Zegt via redactie@wuz.nl.

- RSSWUZ**
- 27/05 Gevolgen van open grenzen
 - 26/05 Waar of onwaar? Fact-
 - 26/05 Politiek klimaat totaal verziekt
 - 26/05 Minister van defensie vindt
 - 24/05 Echt Pro-EU?
 - 23/05 Pro Euopa?
 - 21/05 Waar zijn we zo sceptisch over de
 - 21/05 De EU is een Moloch.
 - 20/05 Buma is verbaasd
 - 18/05 Pesten op school

Home » Watuzegt



Actionfan Ria Struik wordt door de winkelketen op handen gedragen. Ze is een Action-fan in hart en nieren!
 Foto: REINIER VAN WILLIGEN

Deel op FB 3221 Tweet 9 +1 7

za 15 feb 2014, 07:00

Verliefd op de Action

Bent u ook zo'n fan van winkelketen Action? De winkel trekt drie miljoen klanten per week. Lees hier verder hoe het winkelconcept tot stand is gekomen. We horen graag uw mening over de Action.

Action-baas Ronald van der Mark (48) vertelt dat de Action is lange tijd onderschat. Concurrenten dachten dat met zulke lage prijzen geen winst te behalen viel. Inmiddels denkt de concurrentie daar wel anders over.



5. Logistics and Financials

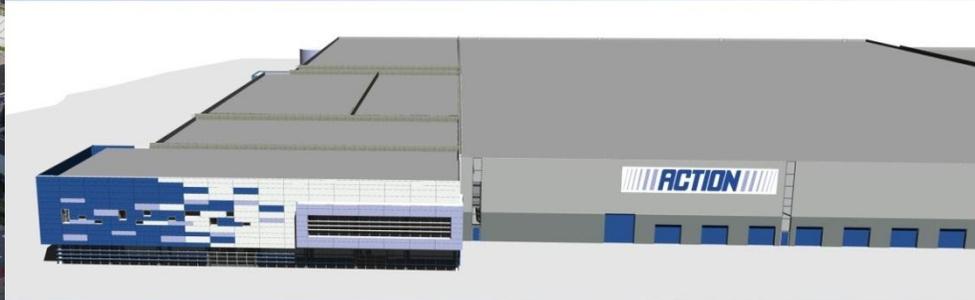
/// ACTION ///

Centralized and efficient distribution

- First distribution center in Zwaagdijk (DC-A) of 100,000 m²
- Second distribution center (DC-B) opened in Q1 2014 to facilitate further international growth



DC and trucks



DC-B: operational since Q1 2014



- 9 months from beginning of construction to first delivery
- Built on time and below budget
- Sale and lease back signed in May 2014

Strong and profitable revenue growth

P&L (€m)	2007	2008	2009	2010	2011	2012	2013
Sales	341	426	515	607	718	873	1,155
<i>Sales growth %</i>		25%	21%	18%	18%	22%	32%
EBITDA	32	39	49	71	86	99	128
<i>% of sales</i>	9%	9%	10%	12%	12%	11%	11%
<i>EBITDA growth %</i>		23%	25%	43%	22%	15%	29%
Run rate EBITDA (used for 3i valuation)						114	147
<i>Run rate EBITDA growth %</i>							29%

- Sales growth consists of strong LFL and increased store roll out. Internally LFL is conservatively defined as all stores opened for at least one full calendar year (e.g. 2013 LFL contains all stores opened on or before 31-12-2011).

Highly cash generative – even after expansion capex

Cash flows (€m)	2008	2009	2010	2011	2012	2013
EBITDA	39.4	49.3	70.7	86.2	99.1	128.0
Changes in working capital	6.8	10.1	(13.2)	5.5	21.8	11.4
Maintenance capex & Other	(0.8)	(0.7)	(1.4)	(4.4)	(5.1)	(10.1)
<i>% of sales</i>	<i>(0.2%)</i>	<i>(0.1%)</i>	<i>(0.2%)</i>	<i>(0.5%)</i>	<i>(0.6%)</i>	<i>(0.9%)</i>
Cash flow from operations	45.4	58.7	56.1	87.3	115.8	129.3
<i>Cash conversion</i>	<i>115.2%</i>	<i>119.1%</i>	<i>79.3%</i>	<i>101.3%</i>	<i>116.8%</i>	<i>101.0%</i>
Expansion capex	(22.6)	(36.4)	(28.5)	(15.4)	(15.4)	(34.3)
DC-B capex						(15.3)
CAFDS	22.8	22.3	27.6	71.9	100.4	79.7
Net debt EoY						453.2

- Despite refinancing in 2013, net debt / LTM EBITDA is expected to be below 3x by H1 2014

5. Real Estate and expansion

/// ACTION ///

High availability of low-cost real estate

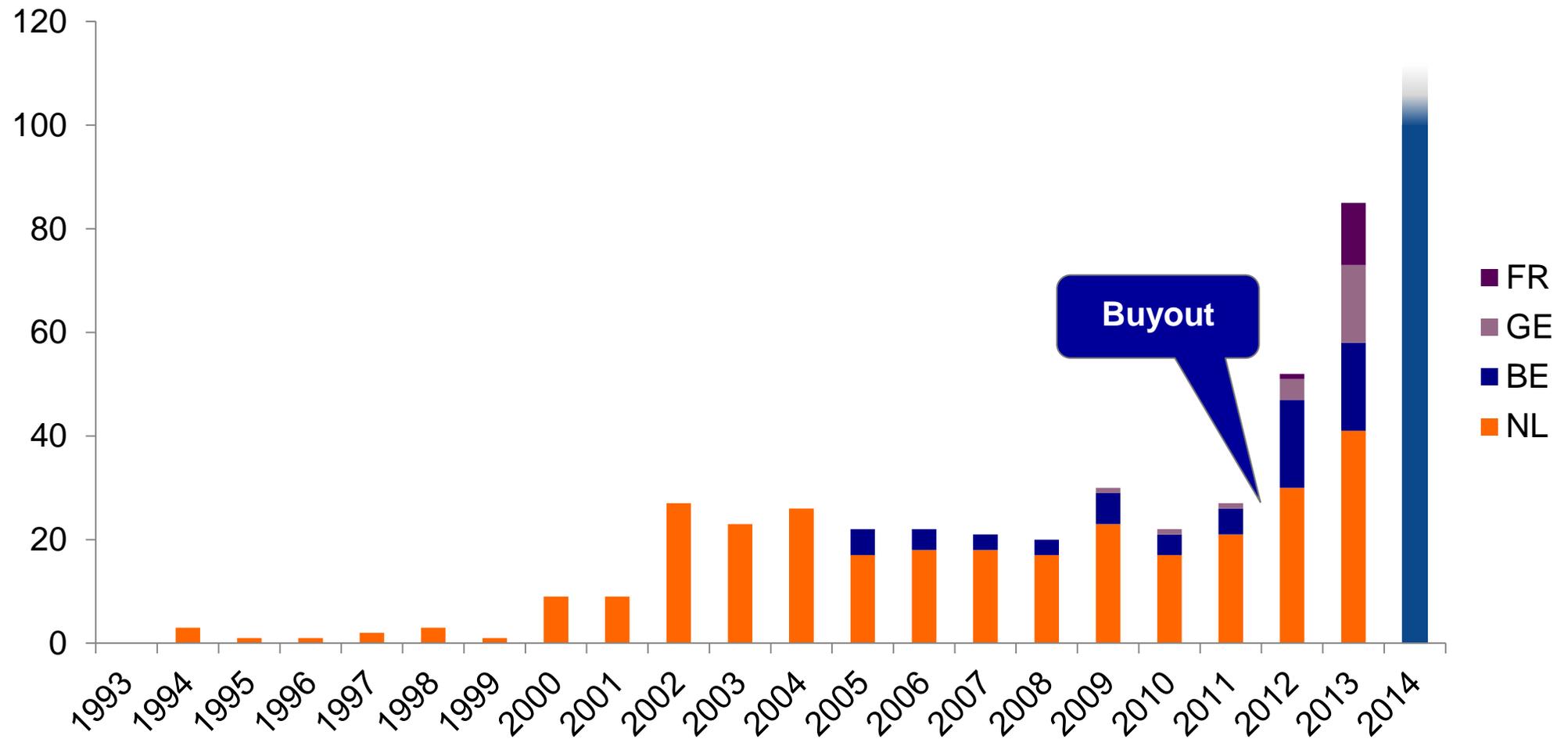
- Flexibility on store locations (B and C locations):
 - abundance of available locations (“white spots”)
- Strong position:
 - limited competition from other retailers
 - highly attractive tenant
- Dedicated Real Estate team (HQ) supported by local RE teams in the countries
- Clear criteria for new stores
- Highly attractive store economics with pay-back of c1 year

Examples of locations



Acceleration of store roll out since buyout

store openings



c430 stores in The Netherlands, Belgium, Germany and France

Stores in The Netherlands



Stores in Belgium



Growth strategy

- **Current store roll-out strategy:**
 - fill white spots in the Netherlands and Belgium
 - continue profitable expansion in Germany and France:
 - new store locations to be reached from DC-A or DC-B within one day
 - continue acceleration of growth (100+ openings in 2014, potential to grow to c200 store openings over time)
- **Potential additional roll-out strategy:**
 - open additional DCs to expand catchment area and support growth
 - investigate new countries
- **Huge store opening potential**
- **Accelerated growth rate since buy-out**

6. International Expansion

/// ACTION ///

International expansion | Belgium

- First store opened in 2005
- Initial step outside Dutch home market
- Established player
- Acceleration of roll-out since buyout

Current stores in Belgium



International expansion | France

- First store opened in December 2012
- Positive performance of current stores
- Positive market environment
- Huge store opening potential

Current stores in France



International expansion | Germany

- First store opened in 2009, acceleration since 2012
- Positive performance of current stores
- Positive market environment
- Huge store opening potential
- Success in the advanced German discount market shows further international potential

Current stores in Germany



THE discounter agrees!



Karl Albrecht (94)

- Founder of Aldi
- Richest man in Germany
- Net worth >€20bn

7. Conclusion

/// ACTION ///

Conclusions

- Action is different
- Significant growth opportunities
- We are able to deliver

8. Q&A

/// ACTION ///