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#PowerofFrozen

FISCAL YEAR 2017 INTERIM RESULTS
FOR 40 WEEKS ENDED
30 DECEMBER '16

2 FEBRUARY 2017



Agenda

- Key Highlights
- Financial Review
- Outlook
- Full Year Results Presentation
- Q&A

Presenter: Tarsem Dhaliwal (CFO)

First quarter: 12 weeks ending 17 June 2016

Second quarter: 12 weeks ending 9 September 2016

Third quarter: 16 weeks ending 30 December 2016

Interim results: 40 weeks ending 30 December 2016

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Key Highlights

The Market

- Despite recent growth, the UK Retail market remains challenging. Based on the latest Kantar data (12 weeks ending 1st January), the grocery market grew **1.8%**, with food inflation at **0.2%**.

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- Turnover up **7.0%** year on year in the third quarter. YTD Turnover up **3.6%** year on year.
- Third quarter LFL % of **3.8%**, a continuing improvement from the previous quarter 0.8% and a significant improvement from the previous full year **(2.7%)**. YTD LFL % now stands at **1.1%**.
- The Group opened **12** new stores in the quarter. After taking into account 2 store closures, the Group estate stands at **898** (881 UK Stores including **32** Food Warehouse stores).
- Third quarter Group EBITDA of **£55.5m**, **£8.5m** up on last year. YTD EBITDA of **£113.4m**, **£6.5m** up on last year, and in line with internal expectations.
- Third quarter Group EBITDA % of Turnover was **6.0%**, up **0.6%** on last year. YTD Group EBITDA % of Turnover at **5.3%**, **0.1%** up on last year.
- Cash generation from operations in the third quarter of **£74.7m** (up **£18.7m** year on year). YTD Cash generation from operations of **£173.9m**, **£36.4m** up on last year.
- The company did not complete any bond buybacks during the third quarter.
- Net Debt at the end of the quarter of **(£652.3m)** and Leverage ratio of **4.2x**.

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Third quarter results versus Second quarter outlook

- **Current trading:** Like for like sales continue to improve
- 10 net new stores will open in FY17 quarter 3 (12 Food Warehouse, (2) Iceland closures)
Third quarter actual of 10 net new stores: 12 Food Warehouse, (2) Iceland closures
- Our strategy focusing on frozen innovation continues, with a trading platform that supports offering our customers great quality with outstanding value
- Cash on the balance sheet of **£170.6m** at the 9th September 2016
- Continued investment in infrastructure (Development Kitchen / Online Pick Centre)
- Full Year Cash Flow considerations:
 - Favourable working capital movement year to date will partially unwind by year end
An increase in sales contributed to positive working capital in Q3, but we still expect some of this to unwind before the year end
- We enter Christmas 2016 with momentum...



Bond buybacks post quarter-end

- Affiliates to the company (MC Walker Family and TS Dhaliwal) have purchased £1.6m nominal value of the SSN 10 Year 6.75% in FY17 Quarter 3 to date.

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Q3 Trading

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October

- Continuation of 7 day deals
- Trading initiatives for month end and events (Halloween & Bonfire Night)
- “The Moment We Met Iceland” TV campaign continued

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DAY DEAL

HALF PRICE

NOW ONLY

50P

WAS £1

Ends Tuesday 18th October

Max 4 per customer



20% EXTRA FREE

20% EXTRA FREE

Cadbury Fingers Milk Chocolate Biscuits

20% Extra Free

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“pensa di nuovo”

[illegible]

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November

- Showcasing Christmas in the National Press
- Industry Product wins across several key Christmas lines
- Pizza Express marketing campaign
- Continuation of fortnightly Door Drops



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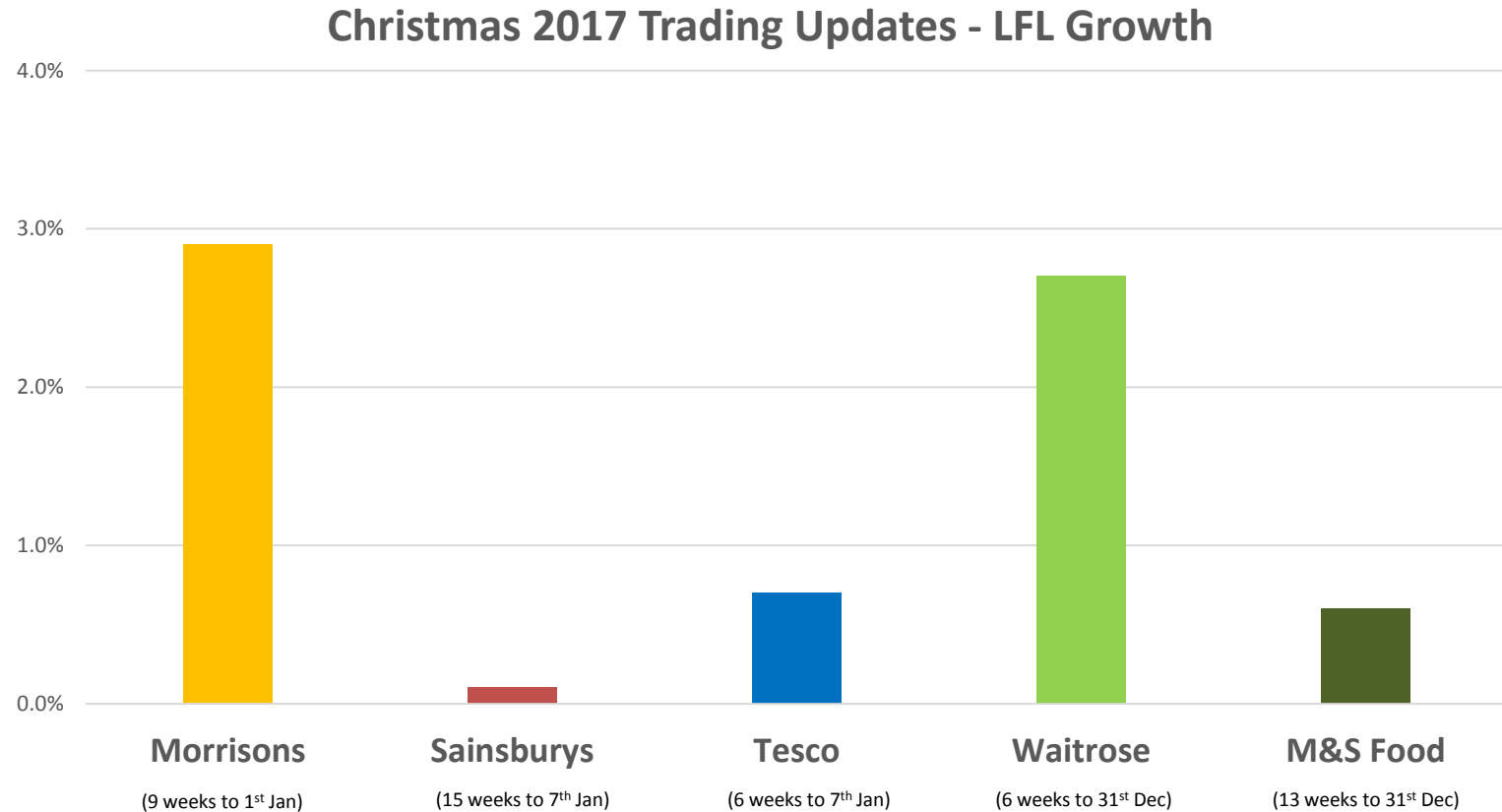
December

- Record sales week in the 7 days up to Christmas
- Driving loyalty at Christmas
- Online deliveries continued until 23rd December
- Daily deals – “12 days of Christmas”
- Christmas Advert – campaign continued with Mr & Mrs Claus



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Market Christmas Results



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Financial Review

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Third Quarter Sales Performance (£m)

	FY17 Q3	FY16 Q3	Var	Var%
Base Estate (LFL)	886.5	853.8	32.7	3.8%
FY16 & FY17 New Stores Stores	31.1	5.1	26.0	3.0%
Other Group Co's	6.4	5.0	1.4	0.2%
Turnover	924.0	863.9	60.1	7.0%

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Year To Date Sales Performance (£m)

	FY17	FY16	Var	Var%
Base Estate (LFL)	2,055.8	2,033.0	22.8	1.1%
FY16 & FY17 New Stores	66.8	16.6	50.2	2.4%
Other Group Co's	14.6	12.5	2.1	0.1%
Turnover	2,137.2	2,062.1	75.1	3.6%

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Third Quarter Profit and Loss (£m)

	FY17 Q3	FY16 Q3	Var
Group Turnover	924.0	863.9	60.1
Cost of Sales	(854.1)	(801.8)	(52.3)
Gross Profit	69.9	62.1	7.8
Gross Profit % of Turnover	7.6%	7.2%	0.4%
Admin Expenses	(26.4)	(25.6)	(0.8)
Operating Profit (Pre goodwill & Exceptionals)	43.5	36.5	7.0
Profit on disposal of fixed assets	0.1	(0.1)	0.2
Net Interest	(14.8)	(17.1)	2.3
Profit before tax (Pre goodwill & Exceptionals)	28.8	19.3	9.5
Exceptional Cost	0.0	0.0	0.0
Goodwill Amortisation	(23.1)	(23.1)	0.0
Tax	(5.9)	(4.1)	(1.8)
(Loss) \ Profit for the period	(0.2)	(7.9)	7.7
EBITDA	55.5	47.0	8.5
EBITDA % of Turnover	6.0%	5.4%	0.6%

- Gross profit up £7.8m year on year, primarily driven by the £60.1m increase in sales. Underlying margin benefits resulted in Gross Profit % of Turnover at 7.6% (up 0.4% vs. last year).
- Admin Expenses (£0.8m) adverse year on year due to investment in central costs to support the varying initiatives across the business.
- Net interest includes underlying charge of (£15.2m) partially offset by interest income (£0.4m).
- The year on year decrease in net interest of £2.3m was driven by the cessation of bond fee amortisation last year, coupled with lower borrowing this year.
- Resulting EBITDA for the third quarter of £55.5m (up £8.5m vs. last year) was 6.0% of Turnover, up 0.6% year on year.

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Year To Date Quarter Profit and Loss (£m)

	FY17	FY16	Var
Group Turnover	2,137.2	2,062.1	75.1
Cost of Sales	(1,988.0)	(1,919.6)	(68.4)
Gross Profit	149.2	142.5	6.7
Gross Profit % of Turnover	7.0%	6.9%	0.1%
Admin Expenses	(64.6)	(62.2)	(2.4)
Operating Profit (Pre goodwill & Exceptionals)	84.6	80.3	4.3
Profit on disposal of fixed assets	0.1	(0.2)	0.3
Net Interest	(35.5)	(41.1)	5.6
Profit before tax (Pre goodwill & Exceptionals)	49.2	39.0	10.2
Exceptional Cost	0.0	0.0	0.0
Goodwill Amortisation	(57.8)	(57.8)	0.0
Tax	(10.7)	(8.6)	(2.1)
(Loss) \ Profit for the period	(19.3)	(27.4)	8.1
EBITDA	113.4	106.9	6.5
EBITDA % of Turnover	5.3%	5.2%	0.1%

- Gross profit margin % is up 0.1% year on year, primarily driven by an improvement in underlying trading margin partially offset by store wages (impact of annual pay awards and servicing delivered sales channels).
- Admin Expenses (£2.4m) adverse year on year due to investment in central costs to support the varying initiatives across the business.
- Net interest includes underlying charge of (£40.3m) offset by Bond Buy back discount (£3.6m) and interest income (£1.2m).
- The year on year decrease in net interest £5.6m is primarily driven by a reduction in Bond fee amortisation last year and lower borrowing this year.
- Year To Date EBITDA of £113.4m (up £6.5m vs. last year) is 5.3% of Turnover, up 0.1% year on year.

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Third Quarter Cash Flow (£m)

	FY17 Q3	FY16 Q3	Var
Group EBITDA	55.5	47.0	8.5
Movement in Working Capital	19.2	9.0	10.2
Net Cashflow from operations	74.7	56.0	18.7
Net Capital Expenditure	(11.9)	(9.0)	(2.9)
Free Cashflow	62.8	47.0	15.8
Taxation	(6.0)	(6.7)	0.7
Net Interest	(20.7)	(21.9)	1.2
Refinancing Fees	0.0	0.0	0.0
Net Cashflow before Financing	36.1	18.4	17.7
Financing	0.4	5.3	(4.9)
Cash Inflow	36.5	23.7	12.8

Free Cashflow conversion %	113%	100%
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*Free cashflow conversion %: Free cashflow divided by Group EBITDA

- Positive Q3 movement in working capital of £19.2m (up £10.2m year on year), predominately driven by the year on year increase in sales.
- Net Capital Expenditure is (£2.9m) higher than last year, and included investment in the new Development Kitchen and the Online Pick Centre.
- Year on year reduction in Financing relates to a reduction in lease funding received during FY17

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Year To Date Cash Flow (£m)

	FY17	FY16	Var
Group EBITDA	113.4	106.9	6.5
Movement in Working Capital	60.5	30.6	29.9
Net Cashflow from operations	173.9	137.5	36.4
Net Capital Expenditure	(37.6)	(48.7)	11.1
Free Cashflow	136.3	88.8	47.5
Taxation	(13.0)	(17.4)	4.4
Net Interest	(43.4)	(46.0)	2.6
Refinancing Fees	0.0	0.0	0.0
Net Cashflow before Financing	79.9	25.4	54.5
Financing	(37.7)	(8.5)	(29.2)
Cash Inflow	42.2	16.9	25.3

Free Cashflow conversion %	120%	83%
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*Free cashflow conversion %: Free cashflow divided by Group EBITDA

- Movement in working capital of £60.5m (up £29.9m year on year) as a result of increased sales and other working capital initiatives. Some of this benefit is expected to unwind before the year end.
- Year on year reduction in net capital expenditure driven by the prior year comparative including commitment to the rollout of new EPOS system and expansion of Iceland Manufacturing facility.
- Year on year reduction in Taxation driven by timing of tax settlements.
- Net Interest in the first half year includes underlying interest payable on Bonds offset by discount on Bond Buy Backs and interest income.
- The year on year decrease in net interest of £2.6m is driven by the timing of interest payments partially offset by the Bond buyback discount received in FY1
- Financing includes Bond buybacks and new finance leases / finance lease repayments

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Net Debt (£m)

	FY17 Q3	FY17 Q2	Var
Cash at Bank and in hand	207.1	170.6	36.5
Debt	(847.8)	(847.8)	0.0
Finance leases	(11.6)	(11.2)	(0.4)
Net Debt	(652.3)	(688.4)	36.1
Net Leverage	4.2x	4.6x	0.4x

*Leverage calculations based on rolling 12 month EBITDA

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FY17 Bond Buy Backs (Company and related parties)

- No Bond Buy Backs completed by the Company during FY17 Quarter 3.

Affiliates to the company (MC Walker Family and TS Dhaliwal) purchased £1.6m nominal value of the SSN 10 Year 6.75% in FY17 Quarter 3.

We and our affiliated entities, including Directors and Shareholders of Iceland Topco Limited and their affiliated entities and their employees and officers, and agents acting on our or their behalf, may retain, purchase or sell for our own account any of our outstanding publicly traded Notes, and may subsequently re-offer or re-sell any such Notes purchased. We do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation we may have to do so.

Outlook

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Outlook

- **Current trading:** Like for like sales continue to be positive.
- 3 net new stores will open in FY17 quarter 4 (4 Food Warehouse, (1) Iceland closure).
- Our strategy focusing on frozen innovation continues, with a trading platform that supports offering our customers great quality with outstanding value.
- **January** : “More ways to eat well” campaign \ Slimming World.
- Cash on the balance sheet of £207.1m at the 30th December 2016.
- Continued investment in infrastructure.
- Full Year Cash Flow considerations:
 - Capex will be broadly flat vs. FY16.
 - Some of the working capital benefit is expected to unwind before the year end.

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Full Year Results Presentations

- To be held in London week commencing 5th June 2017

Invites with relevant details will be sent out via our investor relations website.

Charity Golf Day



2010 Ryder Cup Venue



For details, contact

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Q&A

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