Ahold Delhaize

Q1 2020 Results

May 7, 2020

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Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as maintain, Q2, and beyond, continue, near-term, focus, long-term, we will, adapt, growth, to retain, continuing, progressing, targets, grow, opportunities, expect, 2020, strategy, re-imagine, expected, further, to be, 2021, on track, reach, constant, outlook, will become, subsequent quarters, expectation, remain, should, throughout the year, estimated, progress, accelerate, improve or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause actual results of Koninklijke Ahold Delhaize N.V. (the "Company") to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; natural disasters and geopolitical events; climate change, raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; changes in supplier terms and inability to pass on costs to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company's defined benefit pension plans; the failure or breach of security of IT systems; the Company's inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company's legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company's outstanding financial debt; the Company's ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company's credit ratings and the associated increase in the Company's cost of borrowing; exchange rate fluctuations; inherent limitations in the Company's control systems; changes in accounting standards; adverse results arising from the Company's claims against its self-insurance program; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms and other factors discussed in the Company's public filings and other disclosures.

Forward-looking statements reflect the current views of the Company's management and assumptions based on information currently available to the Company's management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

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Highlights

Frans Muller
President & CEO

Q1 results significantly impacted by COVID-19

- Net sales were €18.2 billion, up 14.7%; up 12.7% in Q1 at constant exchange rates
- U.S. and Europe comp sales growth excluding gas in Q1 were up 13.8% and 9.8%, respectively
- Net consumer online sales grew 37.7% in Q1 at constant exchange rates
- Operating income was €964 million in Q1, up 40.0% at constant exchange rates
- Underlying operating margin was 5.3% in Q1, up 0.9% points from the prior year
- Diluted underlying EPS of € 0.59 in Q1, up 49.5%; diluted EPS of € 0.59

Prioritizing COVID-19 safety, relief, and support efforts

Ahold Delhaize and local brands **deploying more than €170 million** on COVID-19 safety, relief, and support efforts

For Associates

- Safety and protective measures such as plexiglass shields at registers, new store flow patterns to maintain social distancing
- Enhanced pay or benefits for the recognition of exceptional efforts taken
- Hiring more than 40k associates
- Contactless grocery delivery, which benefits associates and customers

For Customers

- Working with local governments and agencies to provide a safe shopping environment
- Enhanced already stringent cleaning and hygiene measures like shopping cart cleaning before and after use
- Invested in security personnel; one-way traffic in the aisles to improve the flow
- Special grocery delivery service for healthcare workers and special opening hours for the elderly

For Communities

- Collaborating with our business partners, vendors and service providers to ensure food and supplies are available in this time of crisis
- Charitable donations to local food banks, national and private health systems, the Red Cross and medical facilities

Near-term focus is on running operations safely & smoothly

Higher level of investments needed in Q2 and beyond to ensure a safe environment and smooth operations

Improve in-stock levels

- Proactively working with suppliers to lift in-stock levels and provide better availability of products to our customers- particularly in categories like paper, sanitation, frozen, meat, etc.
- Utilizing idle capacity in labor force and foodservice distribution in order to overcome capacity bottlenecks

Adapt store operations

- Continue working with local governments and agencies on health and safety measures for stores and DCs
- Providing high level of customer service through exemplary associate efforts and utilizing idle capacity in the labor force
- Adjusting inventory ordering and labor scheduling to new demand patterns caused by community lockdowns

Accelerate digital & omnichannel capabilities

- Accelerating U.S. and Europe digital and omnichannel capabilities; as a result, net consumer online sales growth rates expected to accelerate
- Accelerating timelines for new home delivery fulfillment centers and adding Click & Collect points
- Expanding same-day and next-day offerings

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Long-term focus is to continue investing in growth

Long-term shifts in consumer behaviour due to COVID-19 are uncertain, but we will adapt, and focus on long-term growth drivers in order to retain our #1 and #2 market positions in our current markets by:

Enhancing associate and customer well-being by continuing to take appropriate health & safety measures, offering competitive pay & benefits, and progressing on health & sustainable retailing targets

Operating brands and supply chains smoothly in order to continue serving local communities well, and more efficiently

Investing capex at ~3% of sales in accelerating digital and omnichannel capabilities, improving our store fleet, and improving meal solution capacity and private label offerings in order to retain share of stomach gains; continue to explore strategic partnerships and M&A opportunities

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Highlights: United States

- Working with local and state governments and agencies to provide a safe customer and associate environment
- 42% online sales growth in Q1; capacity increases in progress, and thus raising target to over 50% US online sales growth [previously 30%+] in 2020
- 707 click & collect points at the end of Q1 [from 692 in 2019) , now raising target to over 1,000 [previously ~1,000 U.S] click & collect points in 2020
- Acquired three warehouses from C&S Wholesale Grocers; progressing as planned with the 3-year strategy to move the U.S. supply chain to a self-distribution model
- Re-imagine Stop & Shop stores sales performed in line with expectations pre-COVID-19; fewer than 65 remodels now expected in 2020 as timelines may get pushed out further due to COVID-19
- 4-year collective bargaining agreements for Giant Food were ratified on March 5

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Highlights: Europe

- Implemented safety measures for customers and associates, such as DCs doing temperature checks at the entrance, staggered cafeteria hours, safety vests
- Gained market share in Q1 in both the Netherlands and Belgium; maintained share in CSE
- 36% net consumer online sales growth in Q1, led by nearly 40% growth at bol.com; expect to accelerate net consumer online sales growth in 2020
- Increased online delivery capacity at Albert Heijn in May, by accelerating opening dates of 2 new home delivery fulfillment centers and offering Sunday deliveries
- Over 1,700 new bol.com merchants in Q1, bringing total to nearly 21,000 total merchants; new DC to be fully operational in 2021
- In Q1, Europe added 37 stores; Albert Heijn converted 30 more stores to its fresh and digital focused concept, on track to reach 120 in 2020

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Financial Results

Natalie Knight
CFO

Strong Q1 Group performance due largely to COVID-19

Net sales		Operating income		Underlying operating income		Underlying operating margin	
€18,208 in million		€964 in million		€961 in million		5.3%	
vs LY actual rates	14.7%	vs LY actual rates	42.8%	vs LY actual rates	38.3%	vs LY actual rates	0.9pts
vs LY constant rates	12.7%	vs LY constant rates	40.0%	vs LY constant rates	35.7%	vs LY constant rates	0.9pts

Income from continuing operations		Underlying EBITDA		Underlying EBITDA margin		Diluted Underlying EPS	
€645 in million		€1,666 in million		9.2%		€0.59	
vs LY actual rates	48.2%	vs LY actual rates	22.9%	vs LY actual rates	0.6pts	vs LY actual rates	49.5%
vs LY constant rates	45.1%	vs LY constant rates	20.6%	vs LY constant rates	0.6pts	vs LY constant rates	46.5%

COVID-19 impacts all segments of the business

€ million	Ahold Delhaize Group		The United States		Europe	
	Q1 2020	% change constant rates	Q1 2020	% change constant rates	Q1 2020	% change constant rates
Net Sales	**18,208**	**12.7%**	**11,315**	**13.7%**	**6,893**	**11.0%**
Comparable sales growth excl. gas	12.2%		13.8%		9.8%	
Online sales	998	30.0 %	324	42.3%	674	24.8 %
Net consumer online sales	**1,345**	**37.7 %**	**324**	**42.3%**	**1,021**	**36.3 %**
Operating margin	5.3%	1.0 pts	6.6%	1.8 pts	4.3%	0.3 pts
Underlying operating margin	**5.3%**	**0.9 pts**	**6.7%**	**1.8 pts**	**4.1%**	**0.1 pts**
Diluted EPS	0.59	51.8%				
Diluted underlying EPS	0.59	46.5%				
Free Cash Flow	**1,228**	**NM**				

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Solid results in Jan/Feb prior to significant COVID-19 impacts

	Full Year 2019 % change constant rates[2]	Jan/Feb 2020 % change constant rates[2]	March 2020 % change constant rates[2]	Q1 2020 % change constant rates[2]
Group Net sales growth	2.3%	4.1%	26.7%	12.7%
Group Comparable sales growth ex. gas	1.9%	3.4%	26.9%	12.2%
U.S. Comparable sales growth ex. gas	1.4%	1.7%	33.8%	13.8%
Europe Comparable sales ex. gas	2.7%	6.1%	15.9%	9.8%
Adjusted Group Comparable sales growth ex. gas[1]	**2.5%**	**3.7%**	**27.1%**	**12.5%**
Adjusted U.S. Comparable sales growth ex. gas[1]	**2.4%**	**2.6%**	**34.2%**	**14.6%**
Adjusted Europe Comparable sales ex. gas[1]	**2.7%**	**4.9%**	**16.0%**	**9.3%**

[1] Excludes calendar shift in Q1 2020 periods, an est. 40bps COVID-19 benefit in Europe in Jan/Feb period, U.S. weather impacts, and the U.S. strike impact in Q2 2019

[2] Constant rates at the time of the earnings report

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Free Cash Flow levels were exceptional in the quarter

€ million	Q1 2020	Q1 2019
Operating cash flow	1,700	1,336
Changes in working capital	636	(393)
Income Tax Paid	(32)	(226)
Operating activities	**2,304**	**717**
Investments	(708)	(452)
Divestments	42	10
Net interest paid	(23)	(19)
Repayments of lease liabilities	(412)	(417)
Repayments of lease receivables	24	26
Dividends from JV	0	1
Free Cash Flow	**1,228**	**(136)**

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Outlook 2020 Maintained

- Uncertainty from COVID-19; nevertheless, 2020 outlook is maintained
- Investments related to COVID-19 will become significantly more visible in subsequent quarters
- Source of FCF upside to €1.5 billion level related to strong Q1 growth, rather than capital project delays
- Capex outlook unchanged to support digital and omnichannel acceleration
- Shareholder return policies remain in place; though we will continue to monitor macroeconomic developments

Full-year outlook	Underlying operating margin[1]	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow[2]	Dividend payout ratio[3]	Share buyback[4]
2020	Broadly in line with 2019	Mid-single-digit growth	€600 million	~ €2.5 billion	> €1.5 billion	40-50%	€1 billion

1. No significant impact to underlying operating margin from the 53rd week, though the 53rd week should benefit net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 53-week basis. As previously communicated, there will be margin dilution related to €45 million in transition expenses from the U.S. supply chain initiative, and an increased non-cash service charge of €45 million for the Netherlands employee pension plan, resulting from lower discount rates in the Netherlands.
2. Excludes M&A
3. Calculated as a percentage of underlying income from continuing operations. Given the uncertainty caused by COVID-19, we will continue to monitor macroeconomic developments
4. Given the uncertainty caused by COVID-19, we will continue to monitor macroeconomic developments

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Wrap-up

- **Strong Q1 performance** impacted by the unprecedented demand from COVID-19
- **Solid underlying business prior to COVID-19** demand
- Uncertainty due to COVID-19, but **2020 outlook and shareholder return policy maintained**
- Near-term focus is to continue **running operations safely & smoothly**
- Long-term focus is to continue to **invest in growth** by:
  - Enhancing the well-being of our associates and customers
  - Operating brands and supply chains smoothly, and more efficiently
  - Accelerating digital and omnichannel capabilities, improving our store fleet and offerings to grow our wallet share; continuing to explore partnerships and M&A opportunities
- Maintain **strong cash flow and liquidity position**; €500 million fixed rate bond issued in April

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Thank you

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