Ahold Delhaize

Results Q4/FY 2019

February 12, 2020

Ahold Delhaize

Highlights

Frans Muller

President & CEO

Ahold Delhaize reports strong EPS growth and free cash flow generation in the fourth quarter

Fourth quarter and full year results:

- Underlying EPS grew 17.1% in Q4 and 8.4% in 2019
- Net sales were €17.4 billion, up 3.1% in Q4 and up 2.3% in 2019*
- Net consumer online sales grew 30.1% in Q4 and 28.6% in 2019*
- Underlying group operating margin was 4.4% in Q4 and 4.2% in 2019
- 2019 free cash flow was €1.8 billion, in line with our guidance outlook
- Proposed dividend of €0.76 for full year 2019, up 8.6% versus last year
- €1 billion share buyback program completed in December 2019

Exceeded net synergy and cost savings goals in 2019:

- Achieved net synergies of €512 million on an annual run-rate basis, slightly ahead of our €500 million target
- Generated €709 million in cost savings, ahead of our target of €600 million in 2019

*At constant exchange rates

Financial Results

Jeff Carr

CFO

Group performance

€ in million	Quarter 4				Full year			
	2019	2018*	Change actual rates	Change constant rates	2019	2018*	Change actual rates	Change constant rates
Net sales	**17,378**	16,547	5.0%	3.1%	**66,260**	62,791	5.5%	2.3%
Operating income	**749**	685	9.4%	7.4%	**2,662**	2,623	1.5%	(1.7)%
Income from continuing operations	**544**	509	6.9%	5.3%	**1,767**	1,797	(1.7)%	(4.7)%
Underlying EBITDA	**1,476**	1,399	5.5%	3.6%	**5,510**	5,363	2.7%	(0.5)%
Underlying EBITDA margin	**8.5%**	8.5%			**8.3%**	8.5%		
Underlying operating income	**765**	743	3.0%	1.1%	**2,777**	2,761	0.6%	(2.6)%
Underlying operating margin	**4.4%**	4.5%			**4.2%**	4.4%		
Underlying EPS	**€0.52**	€0.44	17.1%	15.3%	**€1.71**	€1.57	8.4%	5.0%

* Restated Q4 2018 and FY 2018 due to IFRS 16

Performance by segment

€ in million	Quarter 4							
	USA		The Netherlands		Belgium		CSE	
	2019	Change* Constant rates	2019	Change*	2019	Change*	2019	Change* Constant rates
Net sales	**10,368**	**2.7%**	**3,976**	**4.5%**	**1,341**	**0.2%**	**1,694**	**5.4%**
Operating income	443	(1.5%)	197	8.4%	39	13.1%	94	13.8%
Underlying operating income	**442**	**(6.9%)**	**207**	**8.2%**	**47**	**19.4%**	**100**	**6.9%**
Underlying operating margin	4.3%	(0.4) pts	5.2%	0.2 pts	3.5%	0.5 pts	5.9%	0.1 pts
Comparable sales growth excluding gas	**2.3%**	**(0.4) pts**	**4.3%**	**1.0 pt**	**0.1%**	**(2.9) pts**	**3.6%**	**1.6 pts**

* % change versus restated Q4 2018 due to IFRS 16

Performance by segment

€ in million	Full year							
	USA		The Netherlands		Belgium		CSE	
	2019	Change* Constant rates	2019	Change*	2019	Change*	2019	Change* Constant rates
Net sales	**40,066**	**1.5%**	**14,810**	**4.2%**	**5,096**	**-**	**6,288**	**4.9%**
Operating income	1,668	(3.0)%	765	4.7%	128	(1.5%)	246	(5.4)%
Underlying operating income	**1,712**	**(4.3%)**	**776**	**3.8%**	**149**	**4.4%**	**280**	**2.6%**
Underlying operating margin	4.3%	(0.2) pts	5.2%	(0.1) pts	2.9%	0.1 pts	4.5%	(0.1) pts
Comparable sales growth excluding gas	**1.4%**	**(0.7) pts**	**3.5%**	**(0.3) pts**	**(0.1)%**	**(2.3) pts**	**3.1%**	**2.2 pts**

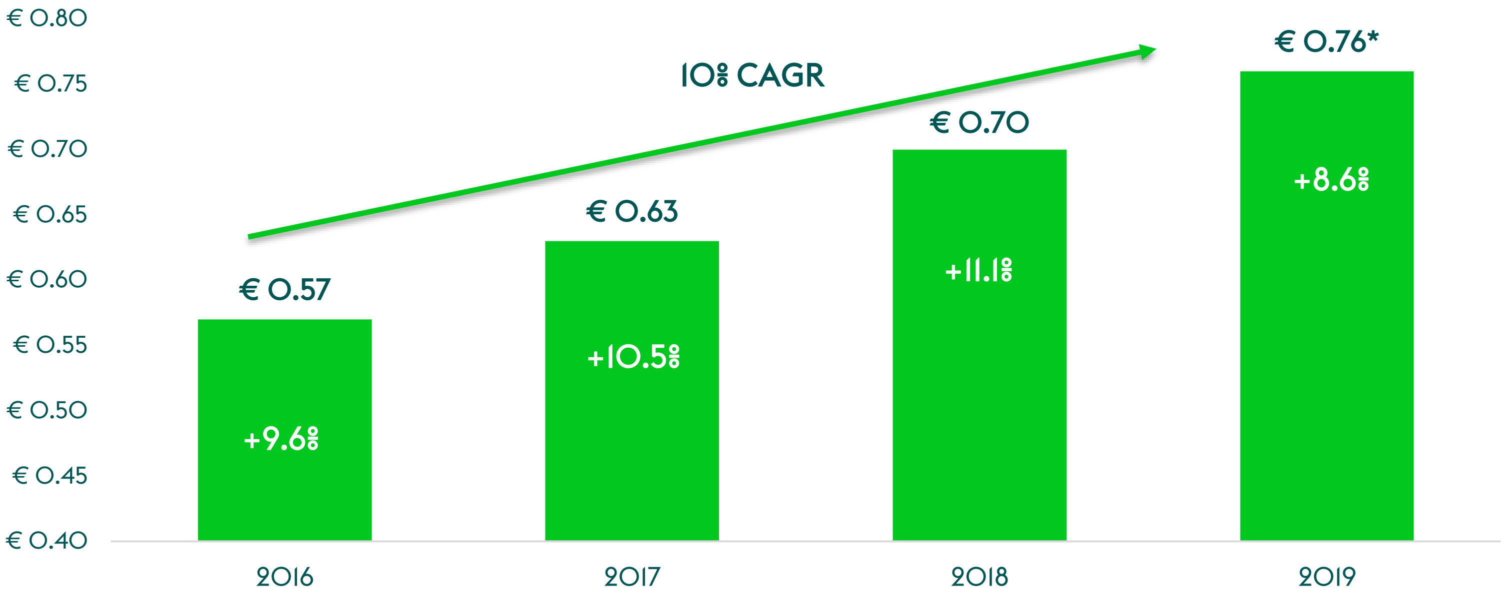
* % change versus restated FY 2018 due to IFRS 16

Free cash flow

€ in million	Quarter 4		Full Year	
	2019	2018 restated*	2019	2018 restated*
Operating cash flow	1,446	1,372	5,483	5,189
Changes in working capital	532	456	325	451
Income tax paid – net	(24)	(148)	(358)	(280)
Cash from cont. operations	**1,954**	**1,680**	**5,450**	**5,360**
Capital expenditures – net	(580)	(691)	(2,074)	(1,753)
Dividends received	20	-	36	17
Net interest paid	(40)	(68)	(133)	(153)
Lease payments received	25	23	94	86
Repayment lease liabilities	(371)	(319)	(1,530)	(1,392)
Free cash flow	**1,008**	**625**	**1,843**	**2,165**

* Restated Q4 2018 and FY 2018 due to IFRS 16

Strong dividend growth from 2016 through 2019



- We propose a cash dividend of €0.76 per common share for the financial year 2019, up 8.6% from last year
- This reflects our ambition to sustainably grow the dividend per share and represents a pay-out ratio of 44%, based on the expected dividend payment on underlying income from continuing operations, which is in line with our dividend policy

*Subject to shareholder approval

2020 Outlook

- Underlying operating margin for the group will be broadly in line in 2020 versus 2019, with no significant impact from the 53rd week*
- Underlying operating margin would be up from the prior year excluding the impact of the U.S. supply chain transition expenses and non cash service charge for the Netherlands employee pension plan**
- Underlying EPS growth in the mid-single digit range
- Free cash flow of around €1.5 billion***, affected by the cash impact of €270 million in capital expenditure related to the U.S. supply chain transformation initiative; includes €2.5 billion in capital expenditures in 2020
- €600 million in cost savings in 2020 and raised our goal to €1.9 billion in cumulative savings through 2021, compared to our previous target of €1.8 billion
- €1 billion share buyback program announced

*We expect the 53rd week could benefit net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 53-week basis
**The pension expense for the Netherlands will increase by €45 million in 2020 due to an increase of the current service costs as a result of a decrease in the discount rate compared to 2019
***Excludes M&A impact of King Kullen

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Highlights

Frans Muller

President & CEO

Highlights United States

- Online sales growth accelerated to 42.7% in Q4, and we met our 2019 guidance outlook of over 20% growth
- Announced supply chain transformation initiative, a three-year strategy to move U.S. supply chain into a fully integrated, self-distribution model which will reduce costs
- ‘Re-imagine Stop & Shop’ program continues to build momentum with sales in Long Island, and now Hartford, performing in line with expectations. In 2020, we expect to remodel another 65 Stop & Shop stores
- Giant Heirloom Market awarded with ‘Alternative Format of the Year’ by Grocery Dive. The new store concept, format and product mix is specially designed for urban neighbourhoods. Three stores have opened in Philadelphia in ‘19, with more planned in the future
- Food Lion reported its 29th quarter of positive comparable sales & volumes with market share gains, supported by the rollout of its 'Easy, Fresh and Affordable' program

Expanding our leading omnichannel position on the East Coast

- Strong platform for continued growth in U.S. online sales, with 42.7% growth and 692 click & collect locations in Q4; 24.3% growth in 2019 at constant exchange rates
- Focus on expanding upon the omnichannel leadership position of our East Coast brands by accelerating sales growth to 30%+ and having ~1,000 click & collect points by 2020
- Omnichannel strategy with leading store brands along with convenient digital / eCommerce solutions is key to winning more customer wallet share and loyalty
- Therefore, we are increasing focus and resources on the East Coast and closing the small delivery-only Midwest online grocery sales operation (represented $97 million out of $1.1 billion total U.S. online revenues in 2019)
- Peapod Digital Labs will continue to deliver the digital and eCommerce solutions for ADUSA; Peapod will continue to drive our eCommerce and omnichannel growth on the East Coast
- At the U.S. and group level, the Midwest closure will not significantly impact results*

*No significant impact to reported operating profits or free cash flow as a result of this closure.

Highlights Europe

- Net consumer online sales were up 27.5% in the Netherlands, at bol.com net consumer online sales grew by 28.7% in Q4
- Market share at Albert Heijn was up significantly year over year in the fourth quarter, an improving trend over previous quarters; 2019 ended roughly flat at 34.9%
- Albert Heijn continues to rapidly convert stores to its new fresh- and technology-focused concept, with 123 stores converted in 2019, exceeding its goal of 120 by year-end. The performance is in line with expectations and we plan to convert around 120 more stores in 2020
- In CSE, we saw a strong performance with 3.6% comparable sales growth excluding gasoline in Q4, driven by growth in Czech Republic and Romania
- Delhaize helped customers to eat better and make healthier choices with Nutri-Plus, a four-month program providing discounts on thousands of healthy products

Progress since November 2018 Capital Markets Day (1/3)

Group financial guidance	Status as of FY 2019	
Low single digit EPS growth (post-strike guidance)	EPS growth of 8.4% including strike impact	✓
Free cash flow ~€1.8 billion in 2019	Free cash flow of €1.8 billion in 2019	✓
Slightly lower underlying operating margin in 2019 versus 2018 (post-strike guidance)	4.2% in 2019 versus 4.4% in 2018	✓
Save for our Customers savings €600 million in 2019	Achieved savings €709 million in 2019	✓
Net capex of €2.0 billion in 2019, ~3% of annual sales	Net capex of €2.1 billion*, 3.1% of 2019 sales	✓
Net working capital improvement of €300 million, €100 million per year through 2021	Net working capital improvement of €325 million in 2019	✓

Progress since November 2018 Capital Markets Day (2/3)

Re-imagine Stop & Shop	Status as of FY 2019	
Sales uplift from remodeled stores of 4%-6% in year 1; 2%-4% in year 2; 2% in year 3	Sales run-rate in Q4 in line with year 1 expectations	✓
Remodel 60 – 80 stores per year	Remodeled 42 stores in Hartford and Long Island	X
eCommerce (1/2)	**Status as of FY 2019**	
Doubling net consumer online sales to ~€7 billion in 2021	Net consumer online sales of €4.5 billion in 2019, up 28.6% Y-O-Y	✓
US Online sales up 20%+ in 2019 and 30%+ in 2020	Online sales growth of 24.3% in 2019; reconfirmed guidance of 30%+ in 2020	✓
600+ Click & Collect points in US in 2019	692 Click & Collect points in 2019	✓
Increasing efficiencies in eCommerce	Micro-fulfillment center in pilot phase, continue explore opportunities to improve efficiency in eCommerce	~

Progress since November 2018 Capital Markets Day (3/3)

eCommerce (2/2)	Status as of FY 2019	
Bol.com net consumer online sales of ~€3.5 billion in 2021	Bol.com net consumer online sales of €2.8 billion in 2019, on track for 2021	✓
Bol.com third party sales at >45% of total sales in 2021	Third party sales of 47% in 2019 versus 40% in 2018	✓
Bol.com to become EBIT positive and generate double digit ROC in 2019	EBIT positive and double digit ROC in 2019	✓
Healthy and Sustainable	**Status as of FY 2019***	
50% of own brand sales recognized for good nutritional value in 2020	48% of own brand sales good nutritional value in 2019	✓
20% reduction in food waste versus 2016 in 2020	9% reduction of food waste versus 2016	X
30% reduction in CO2 emission versus 2008 in 2020	32% CO2 reduction emission in 2019 versus 2008	✓

*Pending final audit

Wrap-up

- Ended 2019 on a high note with strong Q4 results and significant growth in online sales, particularly in the U.S.
- Exceeded 2019 underlying EPS growth guidance and met the €1.8 billion free cash flow target in 2019
- Proposed dividend of €0.76 for full year 2019, up 8.6% versus last year
- Beat our goals for both the Save for Our Customers program and net synergies target in 2019
- Made significant progress against key targets since November 2018 Capital Markets Day
- In 2020, we will accelerate investments in our business to drive growth while concurrently producing strong FCF and consistent operating results, with broadly in line underlying operating margin and mid-single digit EPS growth

Q&A

Ahold Delhaize

Thank you

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as outlook, proposed, target, constant, will be, would be, goal, the full year, expect, three-year strategy, continues, expectations, planned in the future, focus on, will continue, remain, by year-end, per year through 2021, on track for 2021, consistent, guidance, to, will 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 the 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 the inability to pass on cost increases 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.