

# *Emperia*

*Grupa Kapitałowa*

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Q3 2016



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# Significant events in Q3 2016

- Strong revenue growth, earnings in line with expectations
- Launch of 11 new stores
- Work on convenience store concept
- Buy-back programme continued
- On-going tax proceeding



# Emperia Group – operating structure

**Retail**

**Stokrotka**

Own and franchise stores

**Property segment**

**Elpro Development and  
other companies**

Property management  
and development

**IT segment**

**Infinite**

B2B communications, document  
management, ERP systems for  
retail

*Retail*

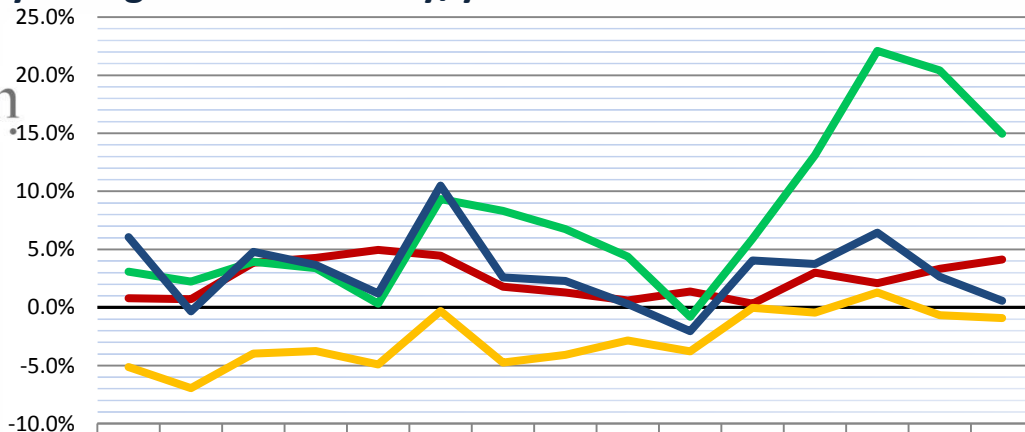
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*Grupa Kapitałowa Emperia*

# Poland's retail market 2013-2016

## Quarterly change in sales value y/y

nielsen



	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016
— Retail sales*	0.8%	0.7%	3.9%	4.3%	5.0%	4.5%	1.8%	1.3%	0.6%	1.4%	0.3%	3.0%	2.1%	3.3%	4.1%
— Stokrotka	3.1%	2.2%	3.9%	3.4%	0.3%	9.3%	8.3%	6.7%	4.4%	-0.8%	5.9%	13.1%	22.1%	20.4%	14.9%
— Supermarkets**	6.1%	-0.3%	4.8%	3.6%	1.2%	10.5%	2.6%	2.3%	0.3%	-2.0%	4.0%	3.7%	6.5%	2.6%	0.6%
— Hypermarkets**	-5.1%	-6.9%	-4.0%	-3.8%	-4.9%	-0.3%	-4.7%	-4.1%	-2.8%	-3.8%	0.0%	-0.5%	1.3%	-0.7%	-0.9%

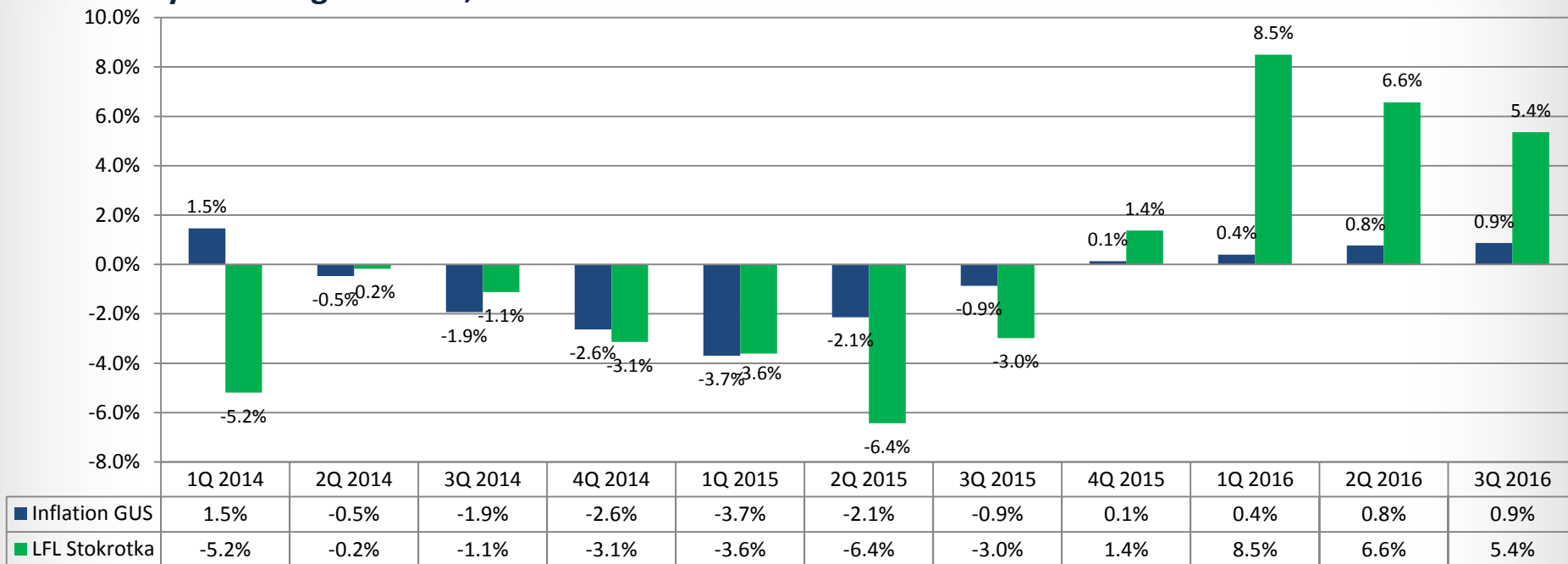
\*Total retail sales y/y, GUS data

\*\* Nielsen data - overall sales (Hypermarkets: Real, Auchan, Tesco>2500sqm, Carrefour>2500sqm, E. Leclerc>2500sqm, b1, Supermarkets: Carrefour<2500m2, Carrefour Market, Simply Market, E.Leclerc <2500m2, Intermarche, Netto, Polomarket, Mila, Tesco <2500m2)

- According to GUS, retail sales in Q3 2016 increased by 4.1% compared with the previous year.
- According to Nielsen, third-quarter sales at Stokrotka increased by 14.9% from the year before, while the Supermarkets segment saw a 0.6% increase y/y, and the Hypermarkets segment fell by 0.9%, compared to the previous year.

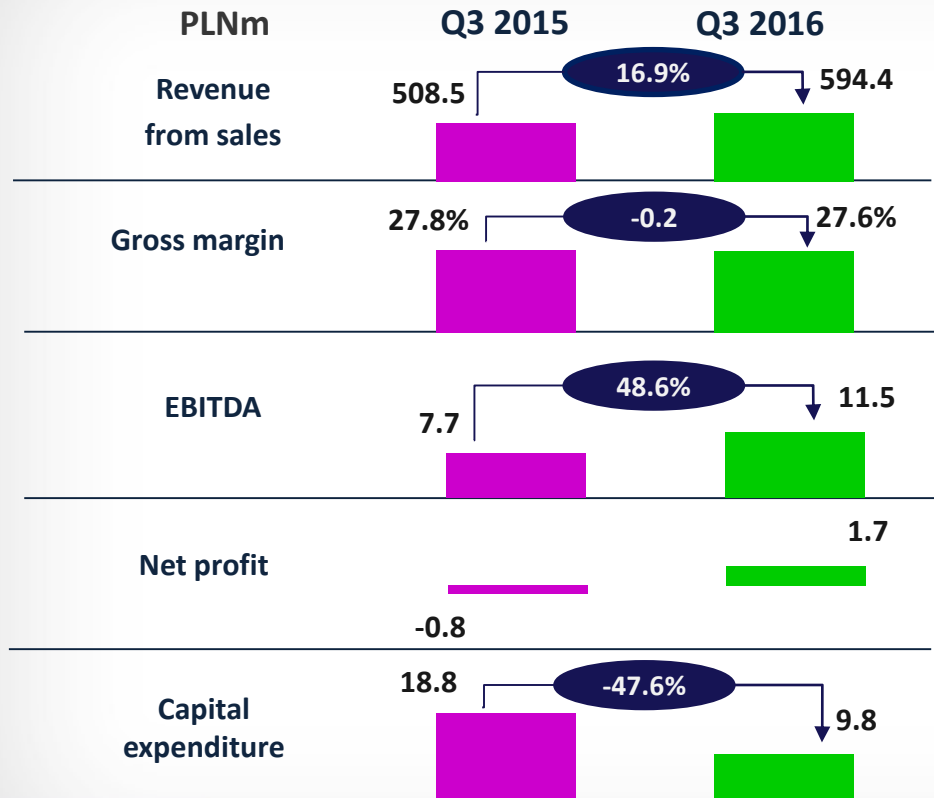
# LFL sales – Stokrotka

## Year-on-year change in sales, on same-store basis



*\*GUS inflation data for the food and non-alcoholic beverage category*

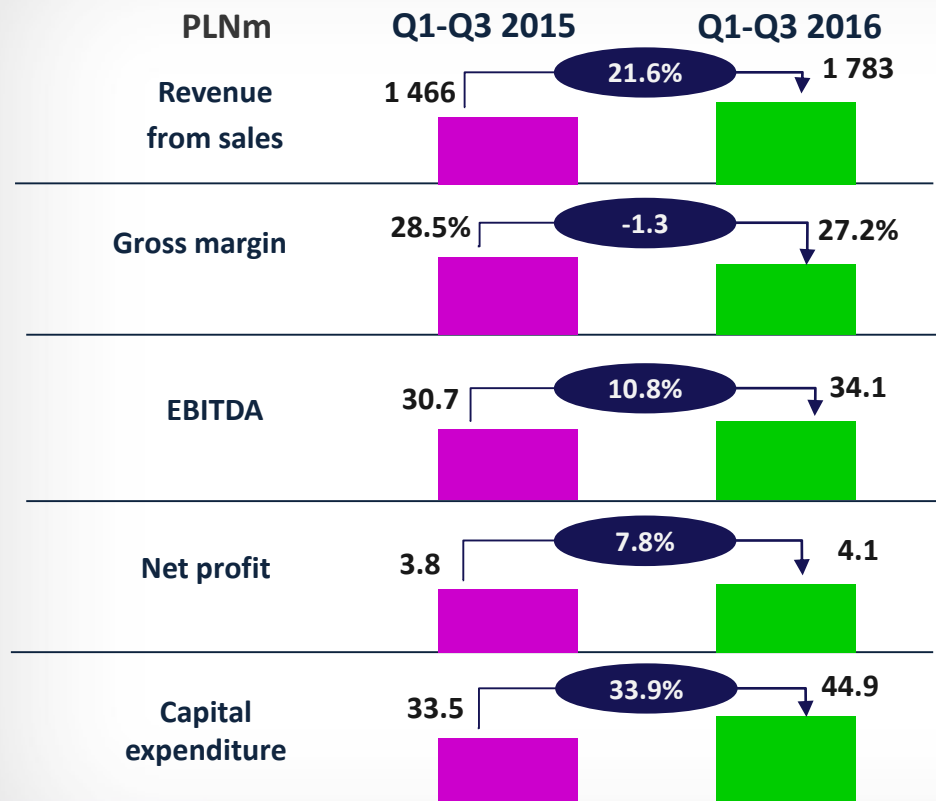
# Retail segment – Q3 2016 financial results



- Revenue growth: LFL and new store openings
- New pricing policy - substantial investment in price perception
- Impact of customer loyalty programmes and launch of new stores on revenue and margins
- Costs connected with new store openings in Q3 2016: PLN 0.4m (3 own stores); Q4 2015: PLN 2.8m (25 own stores)



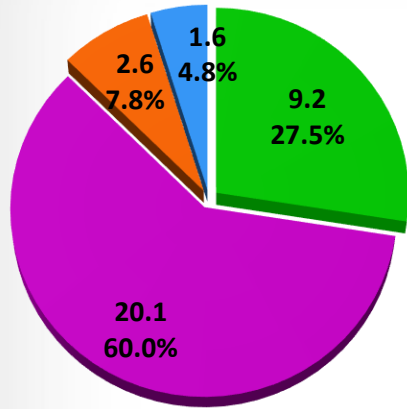
# Retail segment – Q1-Q3 2016 financial results



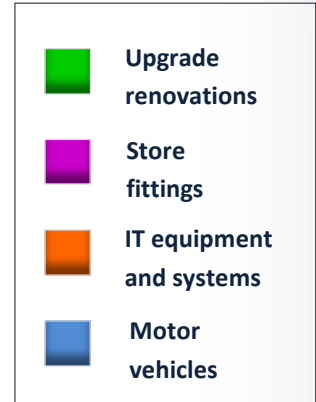
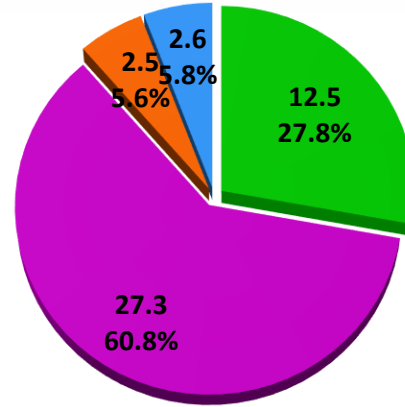
- Revenue growth: LFL and new store openings
- New pricing policy - substantial investment in price perception
- Impact of customer loyalty programmes and launch of new stores on revenue and margins
- Costs connected with new store openings in Q1-Q3 2016: PLN 2.8m (26 own stores); Q1-Q3 2015: PLN 4.2m (37 own stores)
- Compensation and penalties paid in Q1-Q3 2016: n/a, Q1-Q3 2015: PLN 2.2m
- Costs of store closures in Q1-Q3 2016: PLN 0.8m, Q1-Q3 2015: PLN 1.4m

# Retail segment – CAPEX

## Q1-Q3 2015

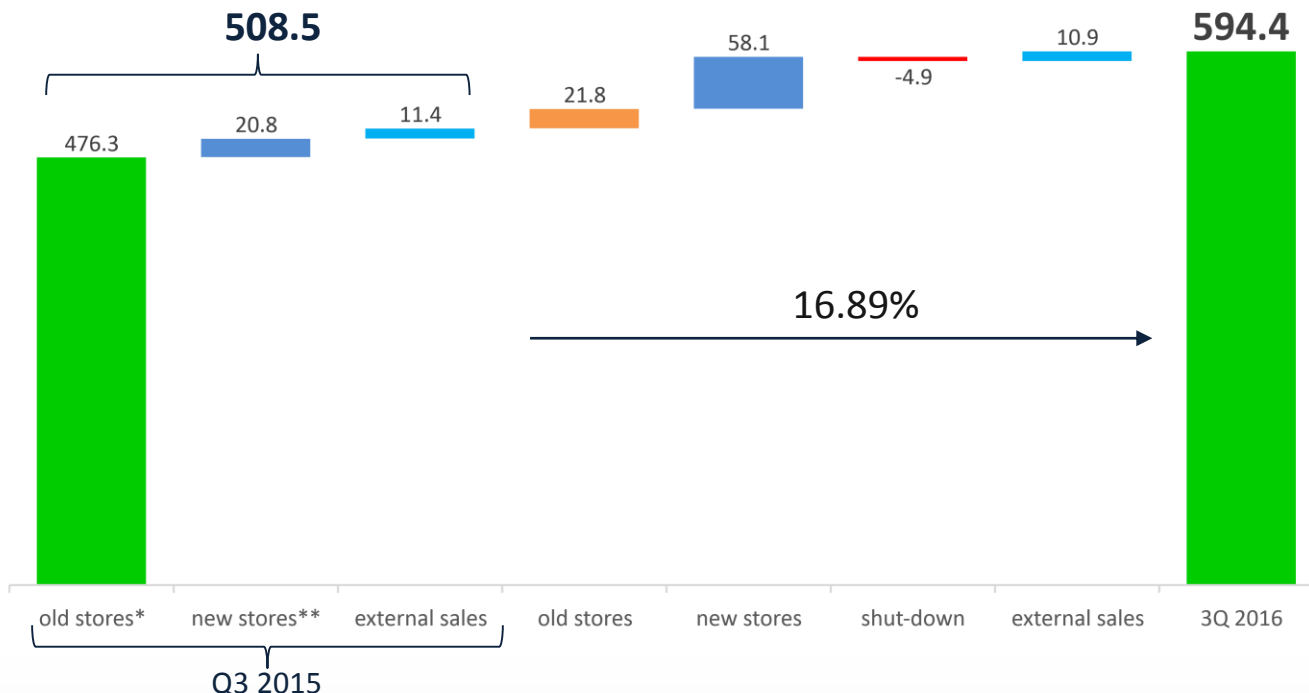


## Q1-Q3 2016



# Retail segment – sales drivers in Q3 2015

Change, in PLNm



older sites - stores open as of the end of Q2 2015, newer sites - opened since Q3 2015

# Retail – Stokrotka

## Number of stores

Number of stores at the end of Q2 2016	348
Stores opened in Q3 2016	11
Stores closed in Q3 2016	1
Number of stores at the end of Q3 2016	358

## Average monthly sales per sqm (in PLN)

	Q3 2015	Q3 2016	change
Supermarkets	1 264	1 230	-2.7%
Stokrotka	1 201	1 261	5.0%

-Nielsen data - all Supermarkets: Carrefour<2500m2, Carrefour Market, Simply Market, E.Leclerc <2500m2, Intermarche, Netto, Polomarket, Mila, Tesco <2500m2)  
- amounts inclusive of VAT

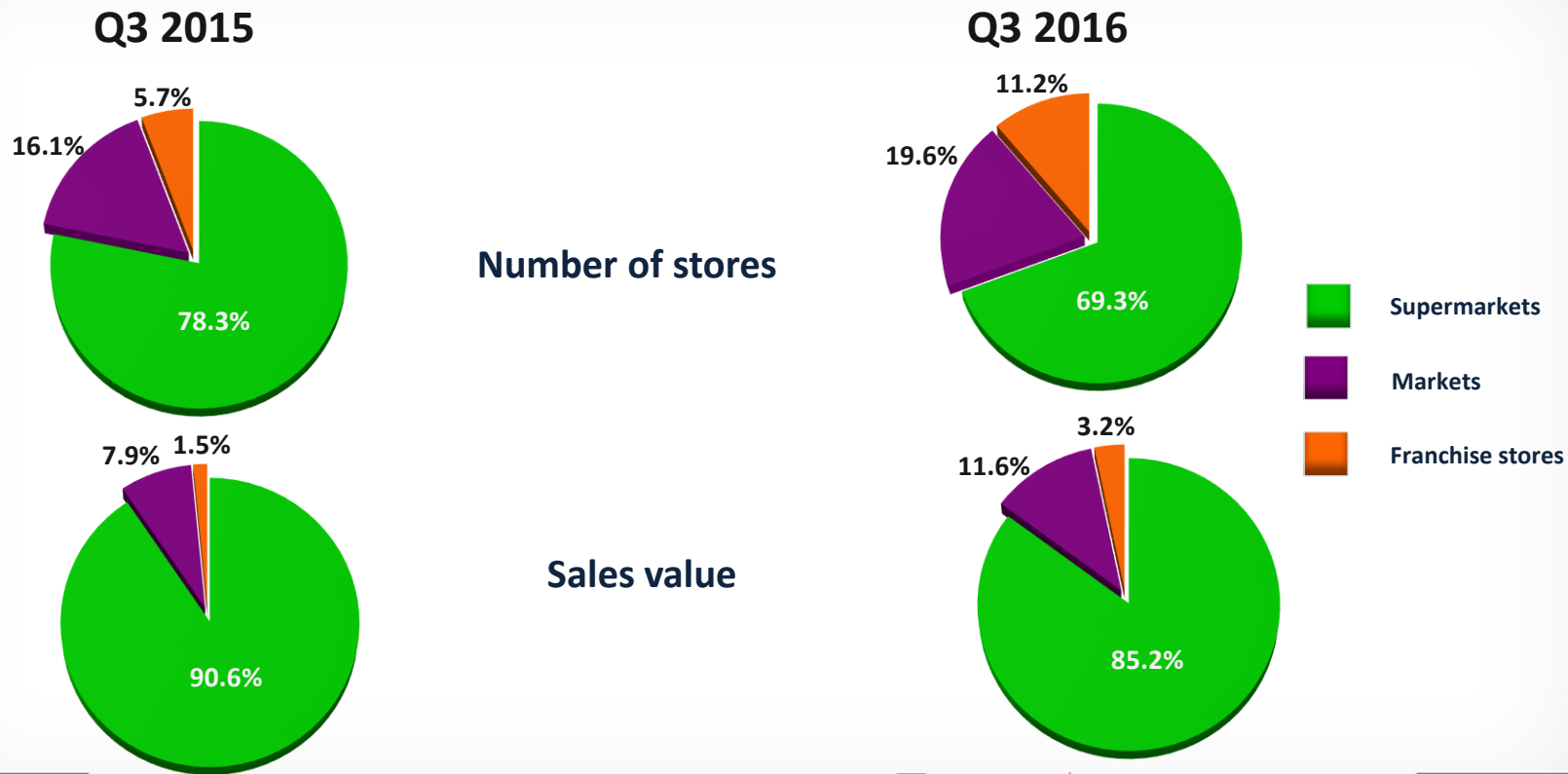
## Stores by format

	Number of stores	Revenue from sales*
own supermarkets	248	503.7
own markets	70	68.3
franchise stores	40	19.2
stores shut-down	1	0.1

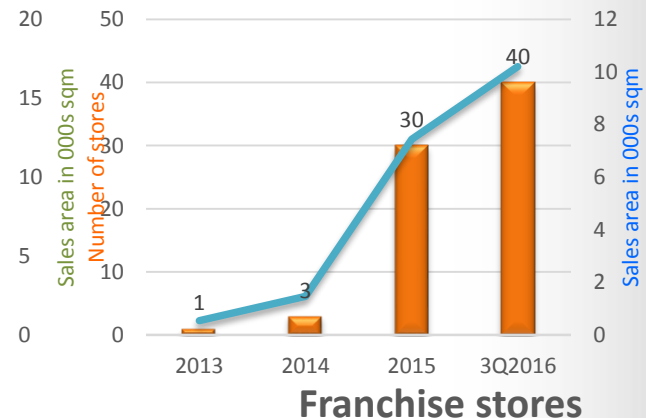
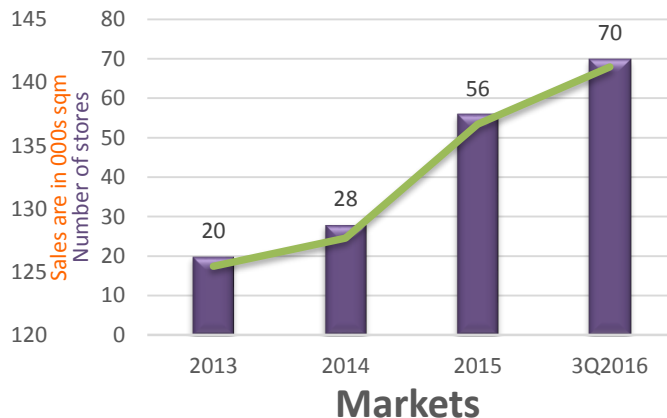
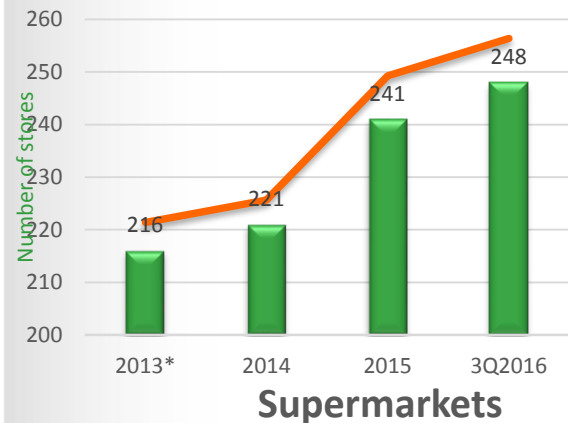
\* / in PLNm /

- Launch of 2 supermarkets, 1 market and 8 franchise stores
- Total floor area of stores opened in Q3 2016 was 4 715 sqm
- CAPEX per new own store: PLN 0.83m

# Retail segment – structure by format in Q3 2016



# Retail segment – structure by format



\*Total, including Maro Markety and Społem Tychy, which joined in 2014.

# Retail segment – working capital turnover

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Inventory turnover	44.2	43.1	44.4	43.1	45.3
Receivables turnover	5.1	5.8	5.7	5.6	5.8
Payables turnover	63.8	69.7	67.0	62.8	60.1
Cash conversion cycle	-14.4	-20.8	-16.9	-14.1	-9.0

*Turnover ratios presented in days*

# Stokrotka – store profitability\*

	Q1-Q3 2015	Q1-Q3 2016
Revenue from product sales	1 319.5	1 395.3
Store operating costs	306.3	311.9
<i>Operating costs as % of revenue</i>	<i>23.2%</i>	<i>22.4%</i>
EBITDA	82.6	84.0
<i>% EBITDA</i>	<i>6.3%</i>	<i>6.0%</i>

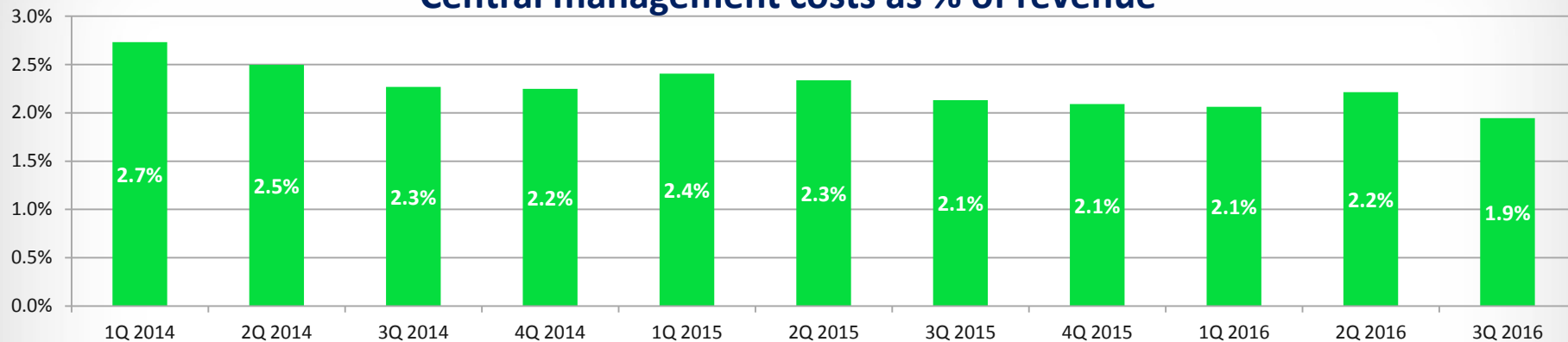
/PLNm/

\* 240 Stokrotka stores operating at the end of 2014

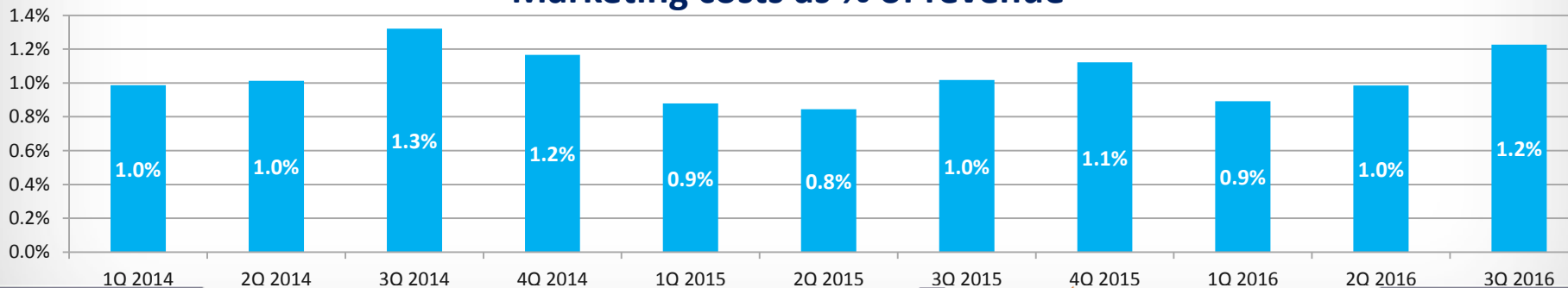


# Retail – central office

## Central management costs as % of revenue



## Marketing costs as % of revenue

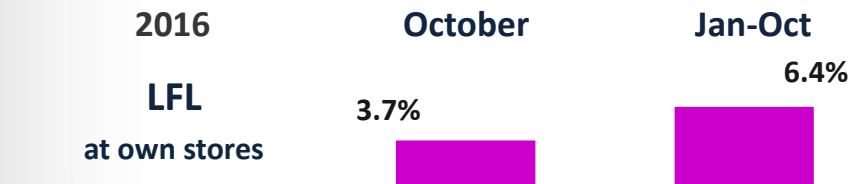
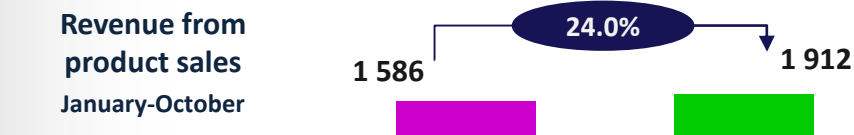
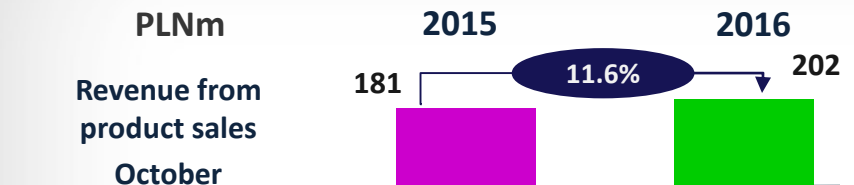


# Retail segment – developments

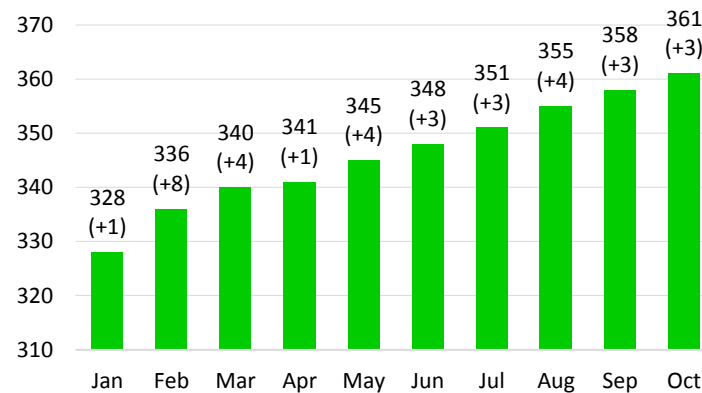
- Implementation of recommendations from productivity improvement project
- Preparations for minimum wage increase
- Improvement in fresh product availability indicator
- Preparations for launch of first convenience stores in Q1 2017
- Decision to open additional distribution centres
- Next phase of project intended to reduce product losses
- Verification of existing pricing policy with participation of external firms
- Implementing new customer loyalty programmes



# Retail segment – preliminary sales results



Number of stores at the end of period



# *Property segment*

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# Property segment

Change in number of properties



Q3 2015 Type of property Q3 2016



Structure of operating properties



# Property segment

## NOI\* (in PLNm)

	Number of facilities	Average monthly NOI in Q3 2016
NOI – operating facilities	83	3.6
including retail sites	78	3.3

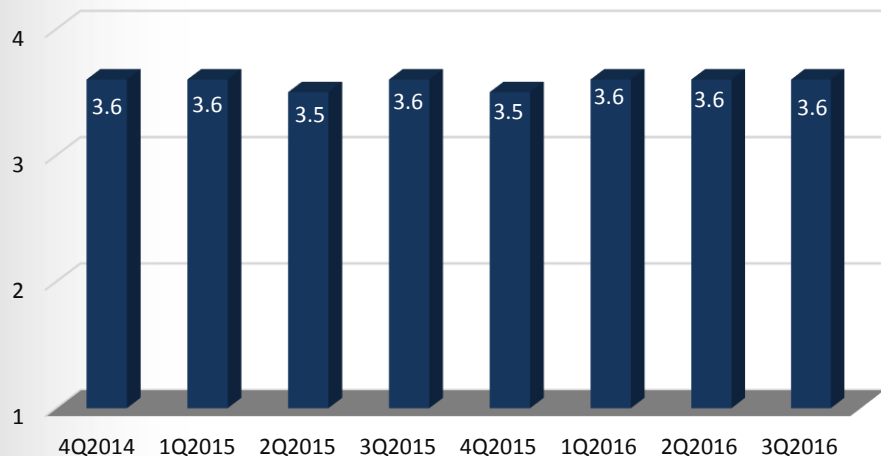
\* NOI (net operating income) is defined as the difference between a property's operating revenue and operating costs, less depreciation

## Retail sites

	Related tenants	Other tenants
Lease space [sqm 000s]	55.3	31.2
Average lease rate [PLN per sqm]	43.7	40.0

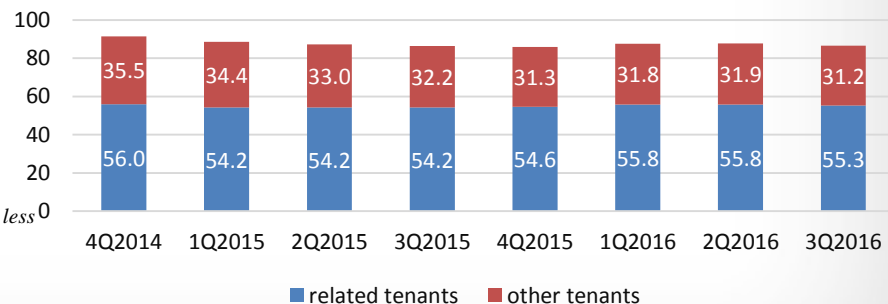
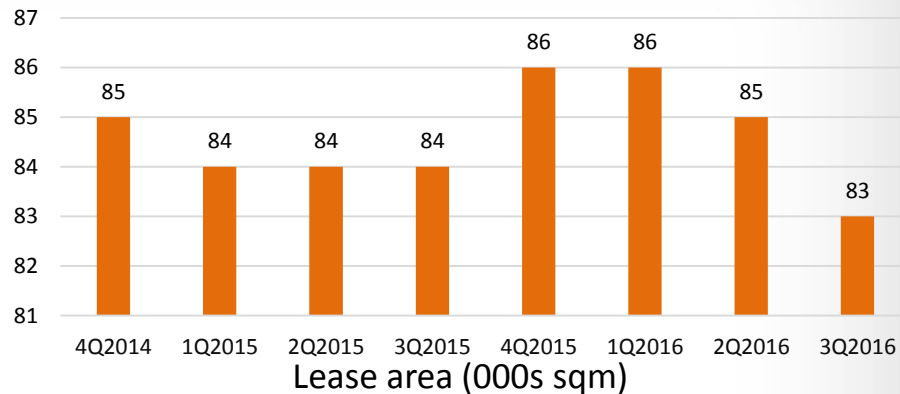
# Property segment

## Average monthly NOI\* - operating facilities



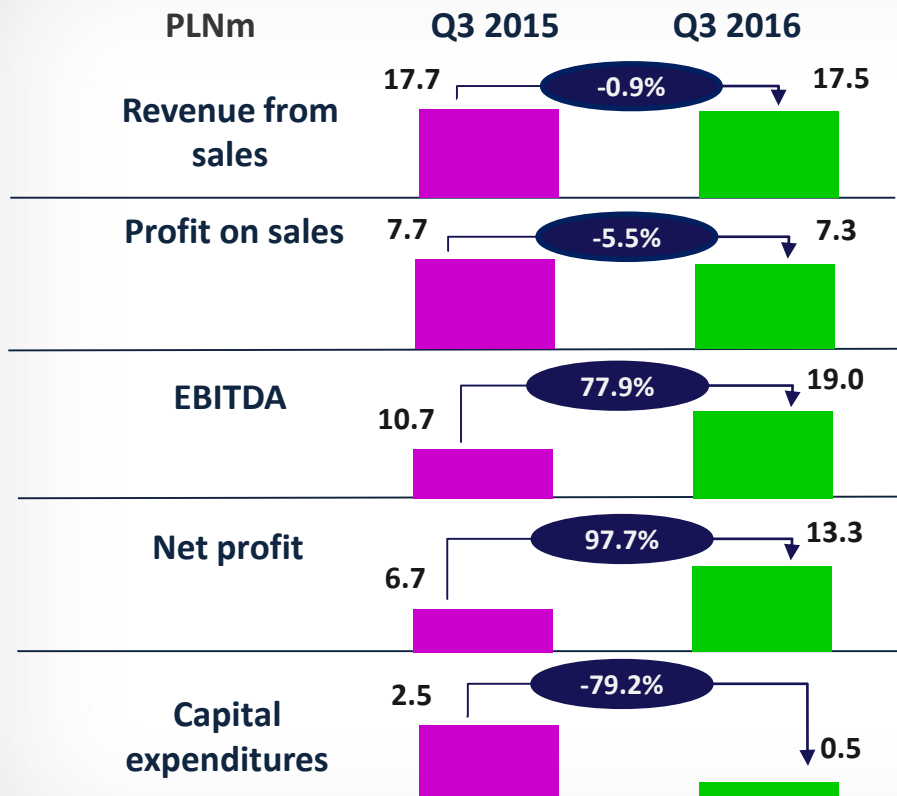
\* NOI (net operating income) for a property is the difference between operating revenue and operating costs, less depreciation; in PLNm.

## Number of operating facilities



■ related tenants ■ other tenants

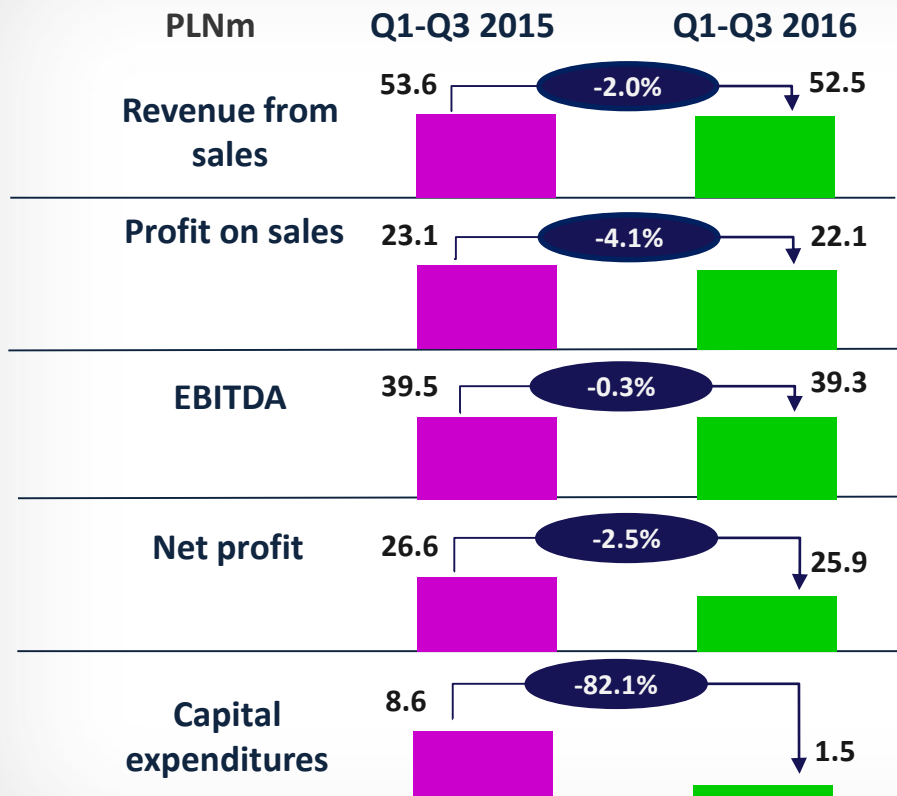
# Property segment – Q3 2016 financial results



- Gross result on property disposals in Q3 2016: PLN 8.5m (PLN 6.4m net), and in Q3 2015: PLN 0.2m (PLN 0.2m net)



# Property segment – Q1-Q3 2016 financial results



- Gross result on property disposals in Q1-Q3 2016: PLN 8.7m (PLN 6.5m net), and in Q1-Q3 2015: PLN 8.0m (PLN 7.9m net)

*IT segment*

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# IT segment

## Infinite's flagship systems and services



**Infinite EDI** solutions for electronic document exchange between business partners all over the world, without time-consuming and error-prone paper-based transactions. Process automation within the supply chain translates into more effective production and inventory management and, in consequence, a reduction in operating costs.



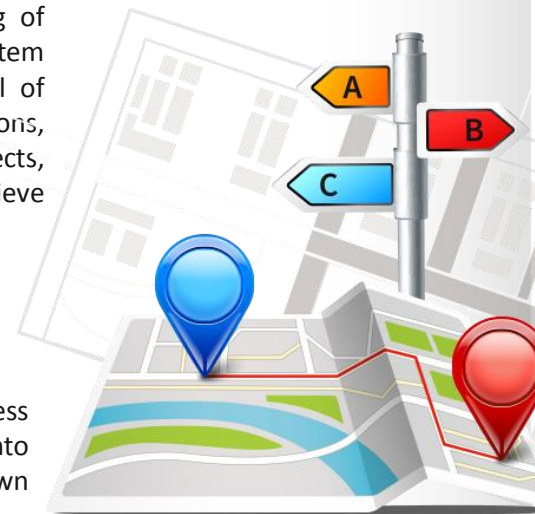
**Infinite SFA** is a solution supporting the handling of processes and tasks by mobile employees. The system improves productivity whilst ensuring a high level of customer service. Thanks to a wide array of functions, the application features reporting for key work aspects, as well as planning and defining tasks needed to achieve business objectives.



Proprietary **ERP** (Enterprise Resource Planning) systems offered by Infinite facilitate management of key processes at both small and large businesses in retail and FMCG sectors.



The **Infinite BI** system, which belongs to the Business Intelligence software group, transforms data into business information. It facilitates modern drill-down analysis, report automation and geomarketing.



# IT segment

## Infinite's flagship systems and services



**Infinite ECM** is a group of solutions intended for management of documents coming in and out of the organisation. By integrating and processing data from various ICT systems, these tools generate electronic documents, which can be quickly distributed.



As companies develop their IT capabilities, demand for highly qualified IT staff grows. Based on many years of experience, Infinite supports businesses in selecting specialists through competence- and project-based **outsourcing**.



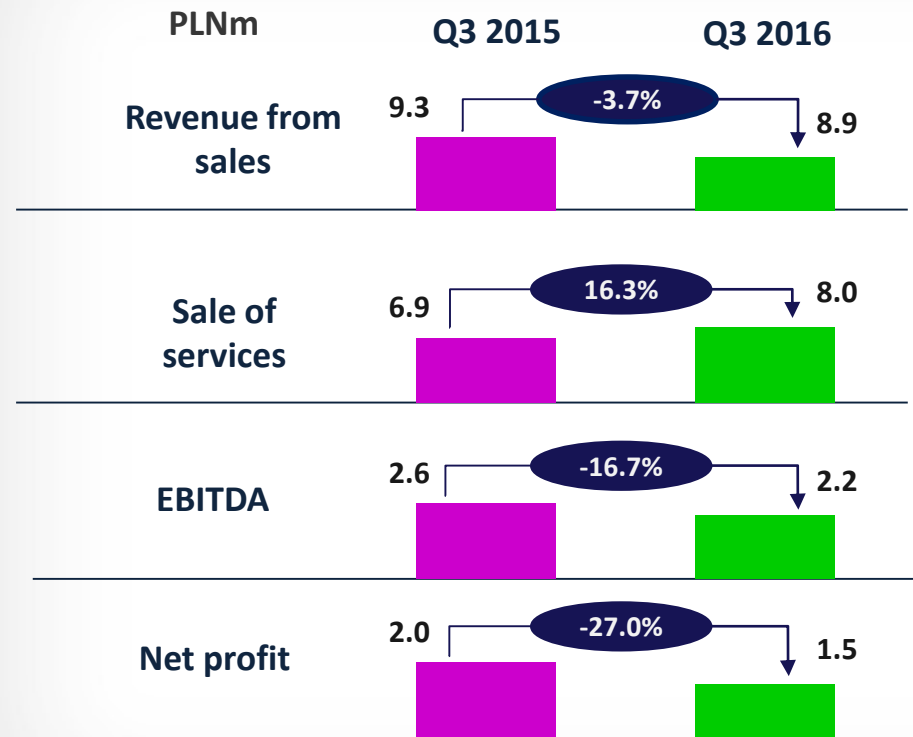
**Infinite RCP** allows companies to more effectively plan and record work time in accordance with the existing Labour Code regulations. The system is used by small, medium and large businesses alike, also those with dispersed and complex organisational structures.



Comprehensive package of **IT services** for business, covering: service and purchase of computer, network and accounting equipment from renowned manufacturers, which is guaranteed by Service Level Agreements adapted to client requirements.

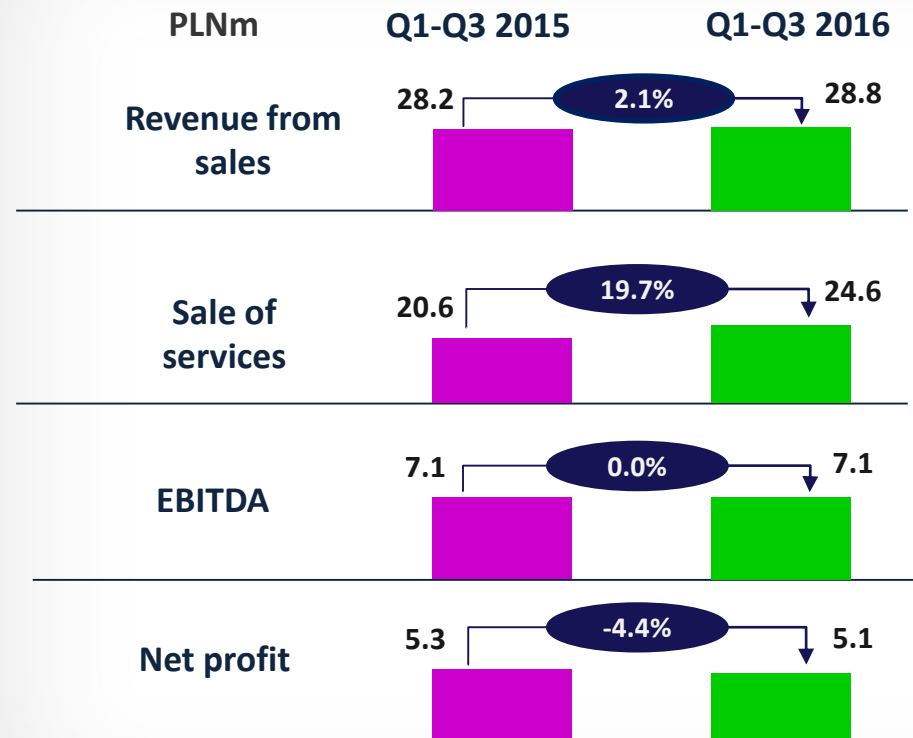


# IT segment – Q3 2016 financial results



- Product development
- Entry into new sectors - banking
- Growth in service sales in Q3 2016 by 16.3%, including to external entities by 19.3%
- Share of external revenue in Q3 2016: 72.1%; in Q3 2015: 70.3%

# IT segment – Q1-Q3 2016 financial results



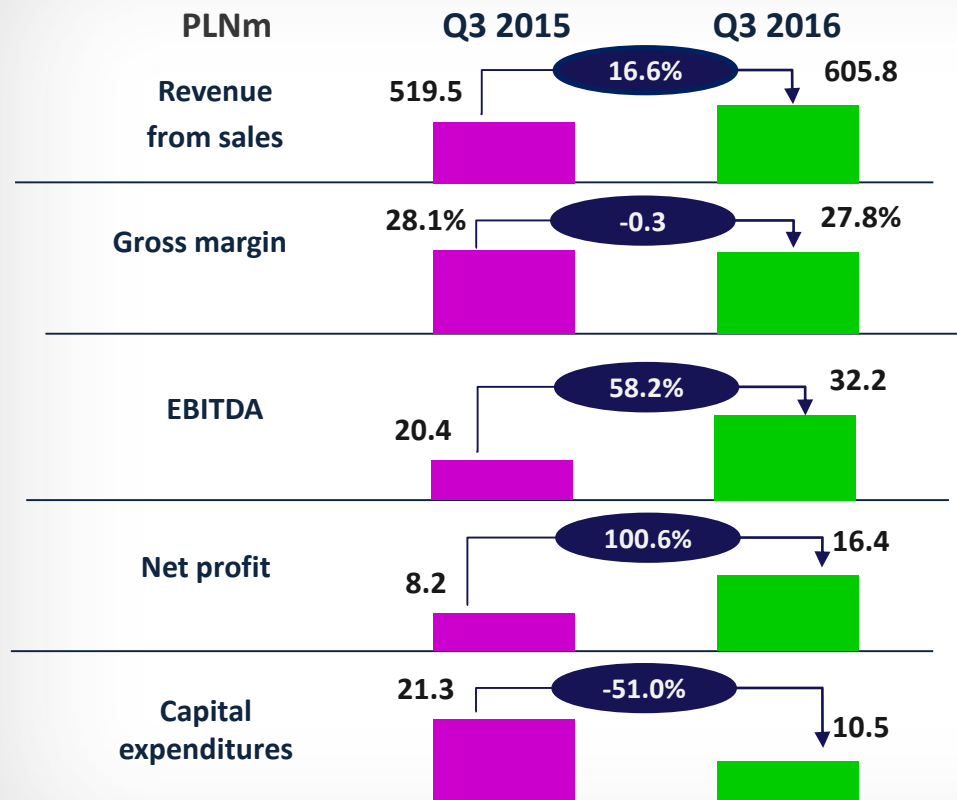
- Product development
- Entry into new sectors - banking
- Growth in service sales in Q3 2016 by 19.7%, including to external entities by 24.9%
- Share of external revenue in Q1-Q3 2016: 72.8%; in Q1-Q3 2015: 69.8%

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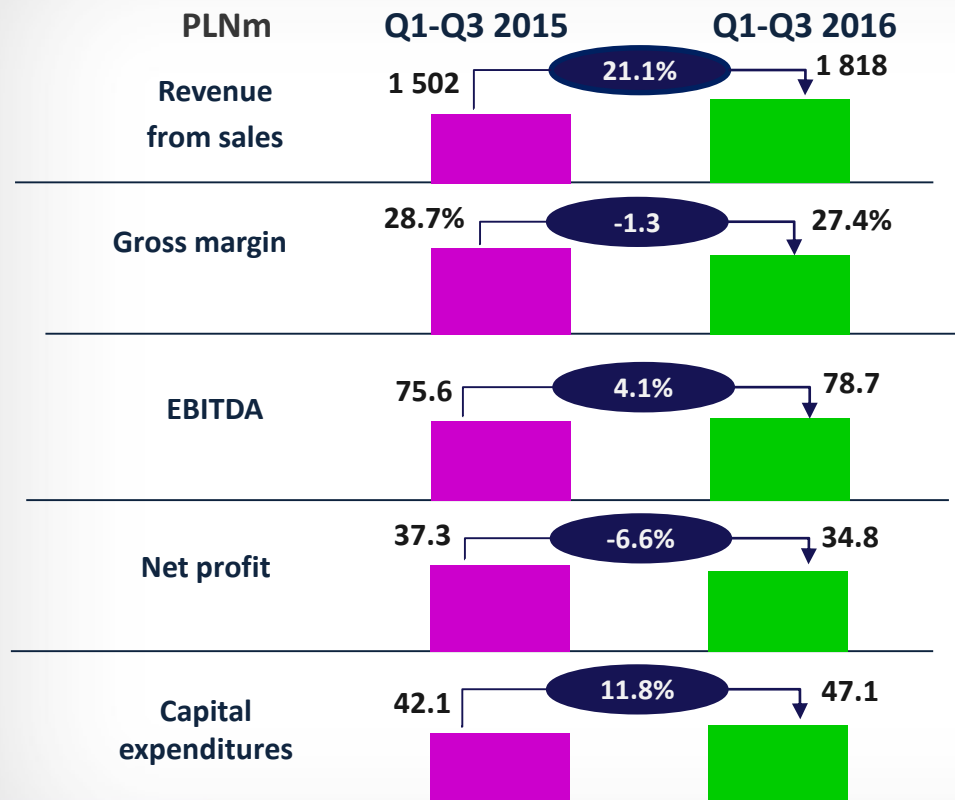
# Emperia Group – Q3 2016 financial results



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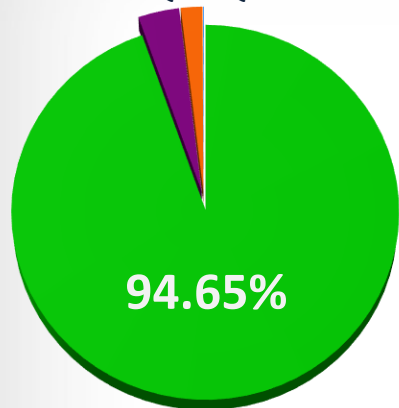
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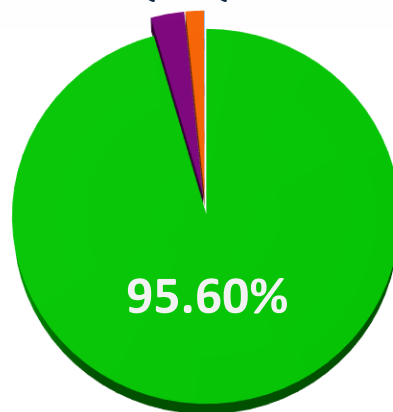
# Emperia Group – financial results

Q1-Q3 2015

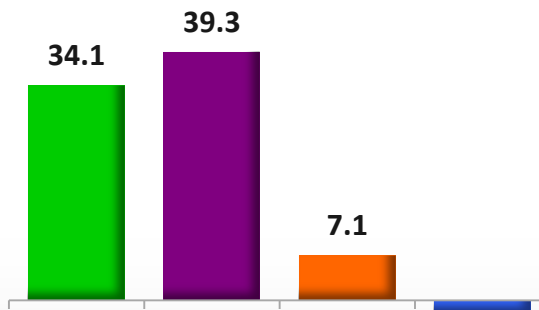
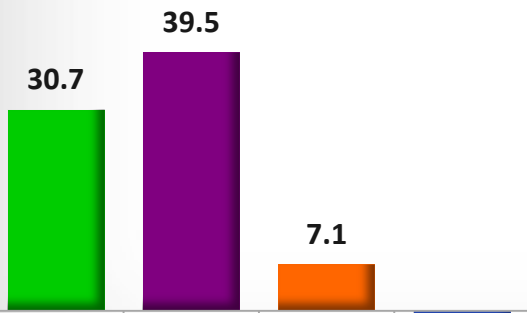


Revenue  
from sales

Q1-Q3 2016



EBITDA  
(in PLNm)



# Emperia Group – balance sheet

PLNm	Q3 2015	2015	Q3 2016
Goodwill	52.0	52.0	52.0
Property, plant and equipment	509.1	522.8	519.5
Net working capital	-58.4	-97.8	-47.1
Other	4.3	5.6	9.2
<b>Invested assets</b>	<b>507.0</b>	<b>482.6</b>	<b>533.6</b>
Borrowings	2.9	2.6	17.1
Cash and cash equivalents	86.2	114.9	98.7
<b>Net debt</b>	<b>-83.3</b>	<b>-112.3</b>	<b>-81.6</b>
<b>Equity</b>	<b>590.3</b>	<b>594.9</b>	<b>615.2</b>

Expenditure in Q1-Q3 2016:

- Share buy-back PLN 14.5m
- Capital expenditures PLN 47.1m

Decrease in cash in Q1-Q3 2016: PLN 5.1m, including growth in cash flows from operating activities: PLN 11.0m

# *Corporate governance*

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# Corporate governance 2016

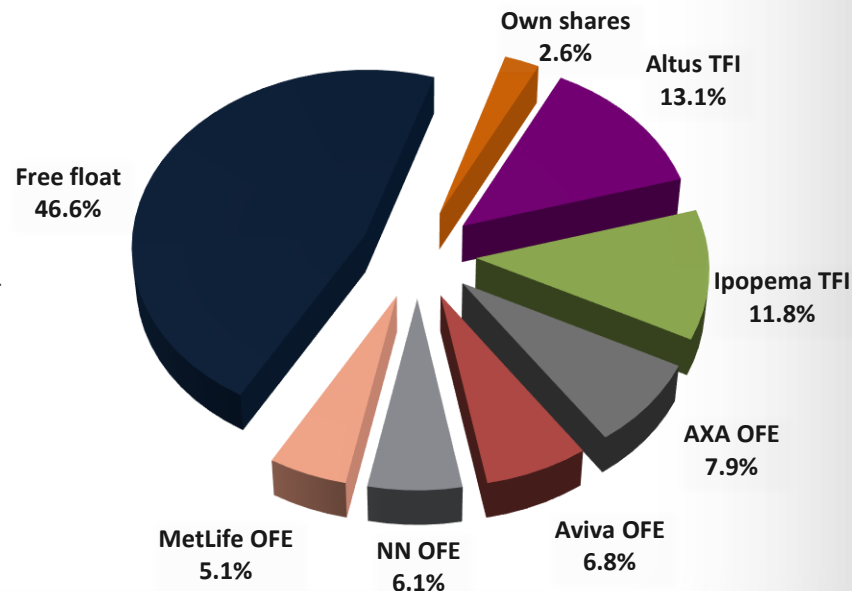
- Total number of shares purchased by Emperia Holding S.A. and Elpro Development S.A. as at 11 November 2016: **318 202 (2.58%)**, including 233 467 purchased in Q1-Q3 2016 for PLN 14.5m
- Decision made on 30 August 2016 on the launch of process to analyse strategic options to speed up the expansion of the retail segment
- Completion of settlement of incentive schemes for 2010-2011

Number of registered shares: 12 340 049

Number of shares publicly traded: 12 021 847

## Shareholding structure

(as per the Company's latest data)



# Thank you for your attention

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