



## 2016 Results presentation

November 2016

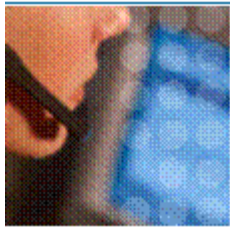


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- **Results Highlights**
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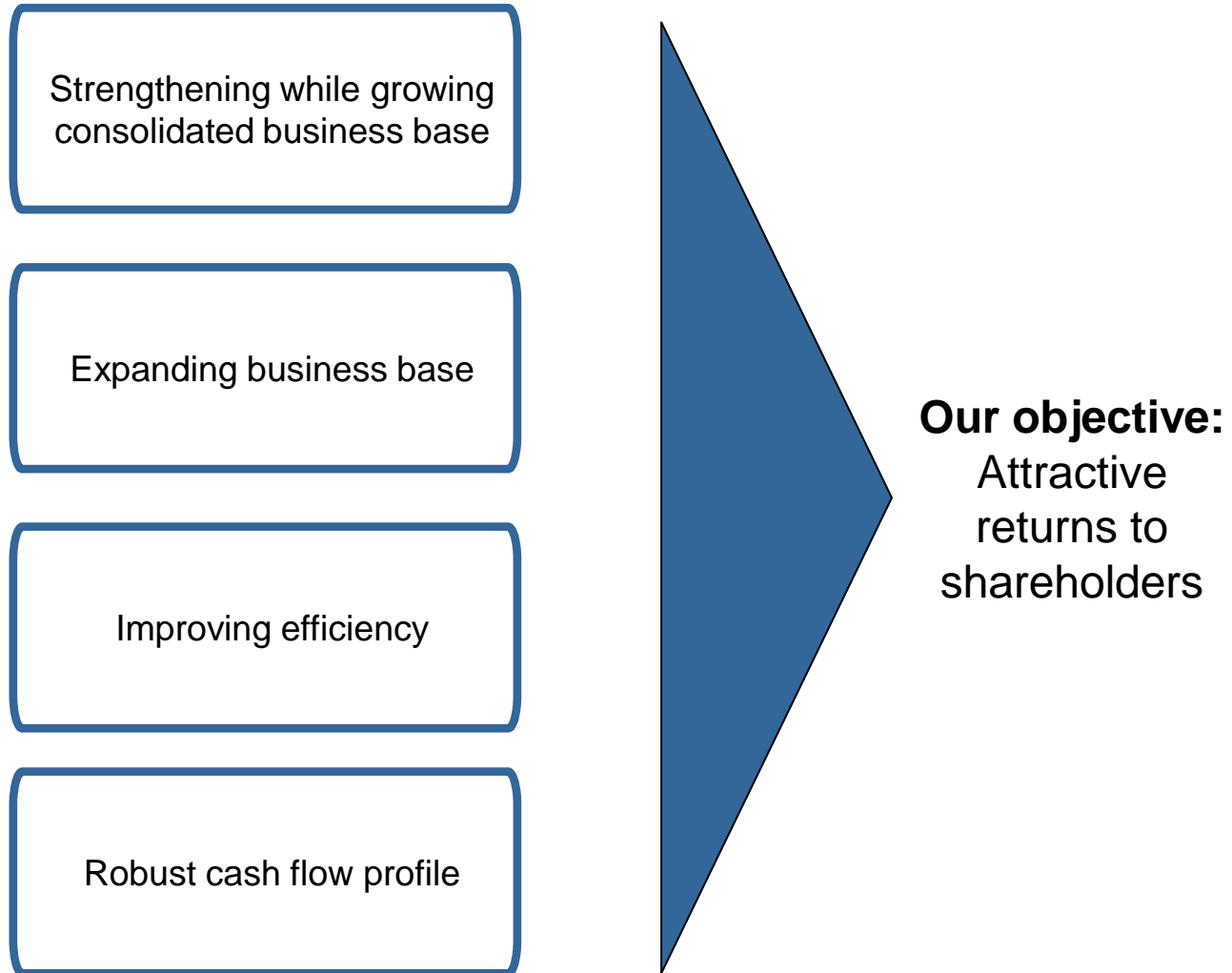
- c. +3% Economic Sales growth
  - Revenues increasing by 1.7% to €9,632m
  - Economic Sales reached €1,038m, up by 2.8%
- +5.3% adjusted EBIT growth to €235m
  - Positive impact of litigation provision's reversal in Q2 2015 affecting comparison
  - Further expansion of Adjusted EBIT margin: +50 b.p.
- Net Income strongly increased to €132m (+21.0%)
- Economic Free Cash Flow: €340m
  - More than doubling previous year's
- Total dividends per share: €0.90
  - Proposal of €0.65 final dividend to be paid in Q2 2017

Positive performance in all P&L lines:

Low single digit growth in Revenues progressing into a solid double digit growth in Net Income



**Delivering on our objectives**



#### **Maintaining leadership in tobacco (contracts renewal depends on expiry calendar):**

- Spain: British American Tobacco and Japan Tobacco International

#### **Growing services:**

- Expansion of revenues from route-to-consumer information to tobacco sector
- International transport in Italy and Spain continued growing
- In transport: enlarging service level through new dedicated routes for the pharmaceutical sector
- Supporting start up operations of new NGP factory in Italy for a client

#### **Supporting industry/anticipating changes:**

- Preparing for Track & Trace requirements in tobacco distribution: a year of joint work
- Additional services to prepare for plain packaging implementation in France
- Illicit trade: Security investments/proactivity

Consolidated business base: Positive Economic sales performance

**Boosting sales into existing pipeline (wholesale):**

- Partnership agreements with manufacturers increasing: new contracts in the 3 countries
- Multichannel deployment: websites, PoS terminals showing solid expansion (+1,500) in Spain and continue growing in Italy...
- Developing our presence at PoS with new services: coolers, furniture sets, store layout, etc.
- Very successful start of distribution agreement to wholesalers with FMCG multinational in Spain
- Focus on improving sales in Italy

**Developing Pharma (special focus on distribution to pharmacies):**

- Additional contracts in pre-wholesaling: reinforcing our leadership position
- Positive development in first year of the new contracts in distribution to pharmacies

Economic Sales from convenience and Pharma growing at double digit



### **Vertical business model:**

- Continuous reduction of headcount in tobacco warehouses in Spain
- Restructuring of service points in Italy: 5 transformed into transit points
- Ending the centralisation of orders in Italy

### **Synergies:**

- Reorganisation of transport routes
- Boosting omnichannel ordering
- Streamlining network in Italy: 19 closures

### **Continuous improvements:**

- Increasing efficiency in picking preparation in Italy
- Reusable boxes' project: roll-out in Italy
- Environmental measures: accelerating carbon footprint reduction, recognised for the first time on the Climate "A" list by CDP

**+50 b.p. in Adjusted EBIT margin over Economic Sales**

**High cash conversion:**

- FCF / EBITDA increased to 125%

**High pay out ratio:**

- 90% of Net Profit distributed as dividends

**Bi-annual dividend payments:**

- 0.50 Euros/share paid in February (corresponding to final dividend fiscal year 2015)
- 0.25 Euros/share paid in August (interim fiscal year 2016)

€100m paid during fiscal year 2016

Strengthening while growing consolidated business base

Tobacco and Transport: Positive Economic sales performance

Expanding business base

Economic Sales from convenience and Pharma growing at double digit

Improving efficiency

+50 b.p. in Adjusted EBIT margin over Economic Sales

Robust cash flow profile

€100m dividends paid during fiscal year 2016



Dividend Yield  
in FY2016:  
4.4%\*

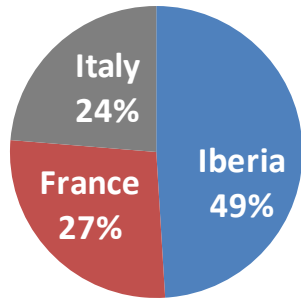
\* €0.75 dividends paid during 2016; share price on 30 September 2015: €16.86



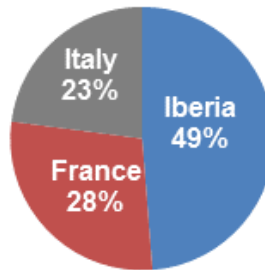
# Business Review

### Geographical Split

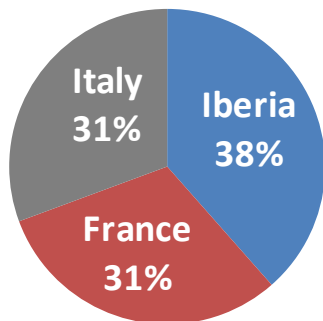
Eco. Sales: €1,038m <sup>1</sup>



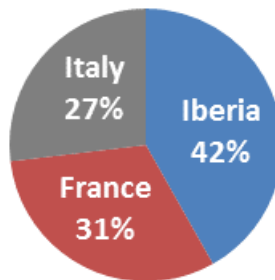
FY 2015: €1,010m <sup>1</sup>



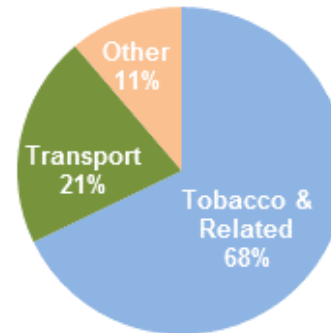
Adj. EBIT: €235m <sup>2</sup>



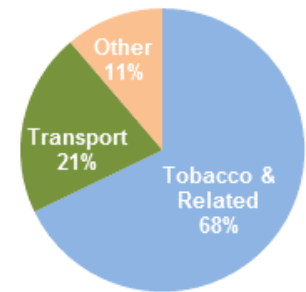
FY 2015: €223m <sup>2</sup>



### Breakdown of activities: Ec. Sales <sup>3</sup>



FY 2015: 1,010m <sup>3</sup>



- **Tobacco & Related in all 3 regions**
  - Italy, less developed in Related
- **Transport in Iberia**
  - Margins below Group's average
- **Other Businesses**
  - Iberia: Pharma, Publications and Lottery
  - France: wholesale in other channels

<sup>1</sup> Breakdown calculated over Eco. Sales before Corporate Centre & Others: FY 2016 €1,033m / FY 2015 €1,004m

<sup>2</sup> Breakdown calculated over Adj. EBIT before Others & Adjustments: FY 2016 €247m / FY 2015 €235m

<sup>3</sup> Breakdown calculated over Ec. Sales before Corporate Centre & Others and Adjustments: FY 2016 €1,081m / FY 2015 €1,052m

### Iberia

- Macroeconomic environment: significant growth
- Positive litigation results last year, affecting comparison
- Stable tobacco volume and no change in RSP vs. increase in FY2015
- Convenience products sales boosted by our business model
- Transport continued benefitting from activity recovery
- Significant growth in Pharma business

Revenues: €2,640m (+2.5%)

Ec. Sales: €507m (+3.5%)

Adj. EBIT: €95 (-3.0%)

### France

- Macroeconomic environment: initial recovery but then stagnating
- Positive tobacco volumes, no RSP increase for the 2<sup>nd</sup> consecutive year
- Convenience and other businesses reflected irregular consumption performance

Revenues: €4,411m (+0.1%)

Ec. Sales: €282m (-0.8%)

Adj. EBIT: €76m (+3.9%)

### Italy

- Macroeconomic environment: fragile recovery
- Almost stable tobacco volumes, RSP increase similar to last year's in a market increasingly turning towards low-price brands
- Reorganisation of the distribution network

Revenues: €2,611m (+3.7%)

Ec. Sales: €245m (+6.4%)

Adj. EBIT: €76m (+19.8%)

### Corporate & Others

- Polish activities strongly growing, although very small
- Slightly higher Corporate costs

Revenues: €(30)m (+5.1%)

Ec. Sales: €5m (-24.4%)

Adj. EBIT: €(12)m (-4.6%)

### Tobacco and Related

- Good performance of tobacco volumes:
  - Cigarette: 0.0% vs. -0.8%
  - RYO: -1.6% vs. -0.8%
- Stable RSP vs. rise last fiscal year: +5 cents per pack
- Value added services increased
- Very positive activity in Portugal (gaining market share)
- Strong growth in sales of non-tobacco related products, new agreements

Revenues: €2,271m  
(+2.4%)

Ec. Sales: €248m  
(+1.3%)

### Transport

- Long haul: Growth excluding last year's divestment of a subsidiary in Q3
- Parcel: Increasing differentiation through value added service, very positive performance
- Courier: Shipment growth around double digit continued

Revenues: €330m  
(+0.1%)

Ec. Sales: €227m  
(+3.2%)

### Other Businesses

- Pharma increased market share in hospitals and pharmacies
  - Positive track-record in first year of contract with FMCG multinational
- Publications: contracts with new publishers mitigating sector weakness
- Lottery sales slightly increasing

Revenues: €130m  
(+11.5%)

Ec. Sales: €74m  
(+10.9%)

### Adjusted EBIT

- Positive litigation results last year (€8.2m) reduced costs and affected comparison between periods:
  - Excluding non-recurring: +5.8%
- Customary cost control measures boosted recurring Adj. EBIT margin

Adj. EBIT: €95m  
(-3.0%)

### Tobacco and Related

- Growing tobacco volumes:
  - Cigarette: +1.1% vs. -0.5%
  - RYO: +3.0% vs. +4.4%
- No RSP increases in FY2016 and FY2015
- Ec. Sales of convenience rising despite irregular consumption trend
- Declining prepaid telephony sector mitigated by increase in other e-transactional products

Revenues: €4,208m  
(+0.4%)

Ec. Sales: €236m  
(-0.9%)

### Other Businesses

- Declining trend softened despite disruptive factors along the year: strikes, social protests/riots and terrorist attacks affecting tourist season
- Portfolio of clients reorganisation almost finished
- Still difficult trading environment

Revenues: €209m  
(-5.6%)

Ec. Sales: €51m  
(-2.3%)

### Adjusted EBIT

- Some measures to prepare operations for plain packaging implementation
- Reorganisation undertaken in the last 2 years translating into higher Adjusted EBIT margin

Adj. EBIT: €76m  
(+3.9%)



**Tobacco and  
Related**

- Stable tobacco volumes:
  - Cigarette: -0.1% vs. -0.7%
  - RYO: +4.4% vs. +4.2%
- RSP increase similar to last year's: +20 cents per pack followed by a price reduction of some RYO brands
- Cigarette low price segment continues driving market dynamics
- Growth of value added services to manufacturers
- Several commercial actions to continue fuelling convenience products' sales growth

**Revenues: €2,611m**  
**(+3.7%)**

**Ec. Sales: €245m**  
**(+6.4%)**

**Adjusted EBIT**

- Continuous measures to control costs and improve efficiency
- Reorganization of distribution network
- New expansion of Adj. EBIT margin

**Adj. EBIT: 76m**  
**(+19.8%)**



# Financial Review

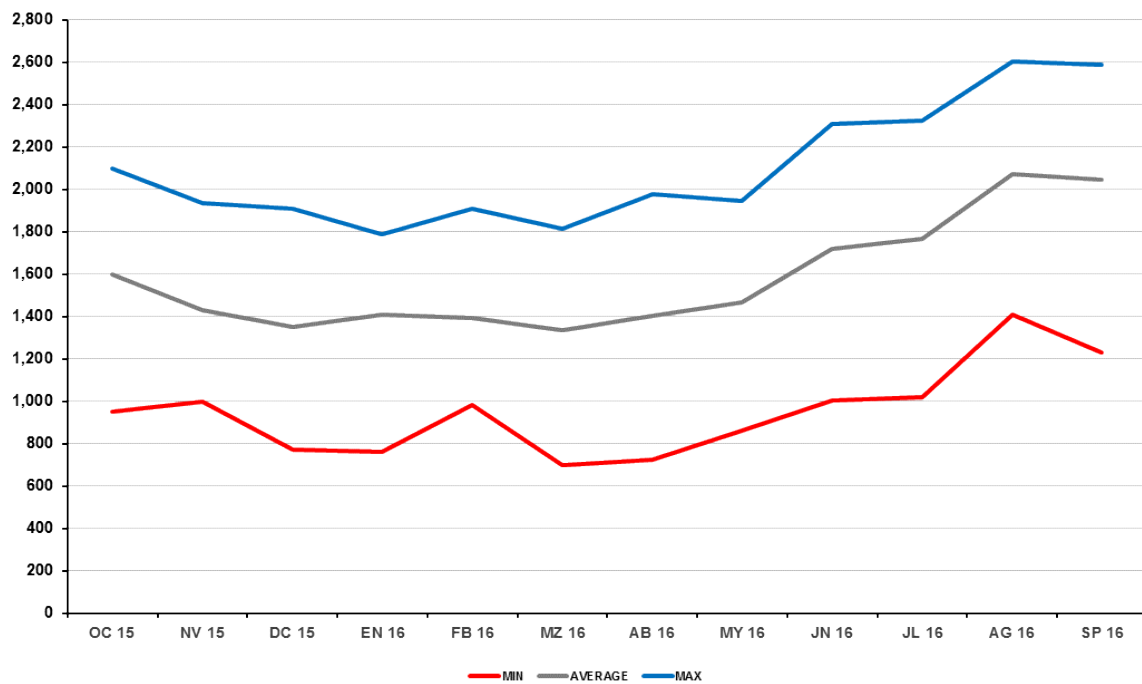
| (€m)   | 2016           | 2015           | Δ%              |
|--|----------------|----------------|-----------------|
| <b>Revenues</b>                              | <b>9,632.0</b> | <b>9,471.0</b> | <b>+1.7%</b>    |
| <b>Eco. Sales</b>                            | <b>1,038.1</b> | <b>1,010.1</b> | <b>+2.8%</b>    |
| (-) Distribution Costs                       | (662.5)        | (647.6)        | (2.3)%          |
| (-) Sales and Marketing Expenses             | (64.3)         | (63.1)         | (1.9)%          |
| (-) Research Expenses and G&A Expenses       | (76.5)         | (76.4)         | (0.1)%          |
| <b>Total Costs</b>                           | <b>(803.3)</b> | <b>(787.1)</b> | <b>(2.0)%</b>   |
| <b>Adjusted EBIT</b>                         | <b>234.8</b>   | <b>222.9</b>   | <b>+5.3%</b>    |
| <b>Margin %</b>                              | <b>22.6%</b>   | <b>22.1%</b>   | <b>+50 b.p.</b> |
| (-) Restructuring Cost                       | (6.6)          | (12.7)         | 48.0%           |
| (-) Amort. of Intangibles Logista France     | (52.2)         | (52.2)         | 0.0%            |
| (-) Net Loss on Disposal and Impairments     | 0.2            | 1.8            | (88.2)%         |
| (-) Share of Results of Companies and Others | 0.9            | 0.2            | +418.3%         |
| <b>Profit from Operations</b>                | <b>177.1</b>   | <b>159.9</b>   | <b>+10.8%</b>   |

- Revenues: Good performance of Tobacco and related in all geographies and Pharma in Iberia more than offset the decline of Other businesses in France
- Ec. Sales increased in almost all activity (specially Pharma, Transport and Tobacco and Related in Spain and Italy) above the decline in France
- Cost growing well below recurring activity: not fully comparable to last year's (-1.0% LFL)
- New expansion of Adj. EBIT margin

- Lower restructuring costs reflecting activity improvement
- No impairment needed
- Profit from Operations growing above Adj. EBIT and Ec. Sales

| (€m)                             | 2016         | 2015         | Δ%               |
|----------------------------------|--------------|--------------|------------------|
| <b>Profit from operations</b>    | <b>177.1</b> | <b>159.9</b> | <b>+10.8%</b>    |
| (+) Financial Income             | 13.7         | 12.4         | +10.8%           |
| (-) Financial Expenses           | (3.1)        | (4.3)        | +28.0%           |
| <b>Profit before taxes</b>       | <b>187.8</b> | <b>167.9</b> | <b>+11.8%</b>    |
| (-) Corporate Income Tax         | (55.3)       | (58.0)       | (4.8)%           |
| <i>Effective Income Tax Rate</i> | <i>29.4%</i> | <i>34.6%</i> | <i>+520 b.p.</i> |
| (+/-) Other Income / (Expenses)  | (0.1)        | (0.3)        | +60.0%           |
| (-) Minority Interest            | (0.3)        | (0.4)        | +21.1%           |
| <b>Net Income</b>                | <b>132.1</b> | <b>109.2</b> | <b>+21.0%</b>    |

- Positive Financial Result:
  - Improvement of results from an affiliate company dedicated to electronic banking for the tobacconist channel in Italy
  - Lower interest rates on higher average cash position
- Lower effective corporate income tax rate:
  - Reduction of nominal rate in Spain
  - Deductions linked to IPO in Spain for 3 years (including FY2016)
  - Adjustments in Deferred Taxes due to future announced CIT reductions



- Seasonality driving cash position to its peak towards year end
- Dividend payments:
  - February (€66.4m) Final 2015
  - August (c. €33.1m) Interim 2016

| (€m) | Mínimum | Average | Maximum |
|------|---------|---------|---------|
| Cash | 699     | 1,582   | 2,603   |

| (€m)                        | 2016        | 2015        | Δ%             |
|-----------------------------|-------------|-------------|----------------|
| Maintenance                 | 3.1         | 4.3         | (27.9)%        |
| Infrastructure              | 11.7        | 13.2        | (11.4)%        |
| IT investments (technology) | 10.1        | 13.2        | (23.5)%        |
| <b>Total investments</b>    | <b>24.9</b> | <b>30.7</b> | <b>(18.9)%</b> |

- > 40% dedicated to technology
- Limited investment in warehouses: asset light business model

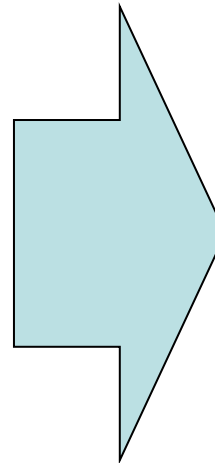
| (€m)                                       | 2016       | 2015       | Δ          |
|--|------------|------------|------------|
| <b>EBITDA</b>                              | <b>273</b> | <b>261</b> | <b>12</b>  |
| Working Capital Variations and Others      | 119        | (19)       | 138        |
| Corporate Income Tax Paid                  | (40)       | (70)       | 30         |
| Financial Income and Expenses Flows        | 11         | 8          | 3          |
| <b>Cash Flow From Operating Activities</b> | <b>363</b> | <b>180</b> | <b>183</b> |
| Net Investments                            | (23)       | (28)       | 5          |
| <b>Economic Free Cash Flow</b>             | <b>340</b> | <b>152</b> | <b>188</b> |
| % over EBITDA                              | 125%       | 58%        |            |

- Substantial improvement due to:
  - Increase in results
  - More favourable working capital position at year end (average position during the year was stable compared to preceding year)
- Increase in FCF generation

- Directors will propose a dividend distribution for year ended September 2016 of €119.3 million
  - Interim dividend paid in August 2016 (€0.25 per share, c. €33.1m)
  - Final dividend per share: €0.65 (number of shares: 132,750,000, treasury stock: 275,614)
  - Payable at the end of second quarter of fiscal year 2017
  
- Directors intend for the next years to distribute, at least, 90% of reported net profit in dividends
  - Interim dividend: 1/3 of the previous year's total dividend, in the fourth quarter of the relevant fiscal year
  - Final dividend: in function of reported net profit, in the second quarter of the next fiscal year



- Highly resilient business model
- Superior profitability with improving margins
- Robust Economic Cash Flow profile
- Attractive Dividend Pay-out profile



**TSR 2016\* :+22.2%**

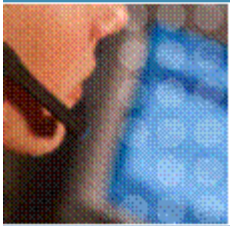
\* Source: Bloomberg, from 30 September 2015 to 30 September 2016 (without dividends' reinvestment )



# Outlook

- Current trading environment suggests a similar Adjusted EBIT growth rate in FY2017
- Slightly higher restructuring costs, depending on activity evolution
- Positive impact in Financial Results from divestment of Italian subsidiary (e-bank ITB )
- Existing deductions in Corporate Income Tax could translate into Net Income growing at double digit given +4% to +5% Adjusted EBIT growth

The uncertainties surrounding the impact of plain packaging implementation in France at the beginning of Q2 2017 is difficult to evaluate and may hamper the achievement of the expected results



# Appendix

### Million units

### % Y-o-Y Change

|                 | 1 Oct. 2015 – 30<br>Sept. 2016 | 1 Oct. 2014 – 30<br>Sept. 2015 | 1 Oct. 2013 – 30<br>Sept. 2014 | 1 Oct. 2015 – 30<br>Sept. 2016 | 1 Oct. 2014 – 30<br>Sept. 2015 |
|-----------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>TOTAL</b>    |                                |                                |                                |                                |                                |
| Cigarettes      | 168,300                        | 167,734                        | 168,895                        | +0.3%                          | (0.7)%                         |
| RYO/MYO         | 20,955                         | 20,617                         | 20,126                         | +1.6%                          | +2.4%                          |
| Cigars          | 3,842                          | 3,968                          | 4,040                          | (3.2)%                         | (1.8)%                         |
| <b>SPAIN</b>    |                                |                                |                                |                                |                                |
| Cigarettes      | 46,144                         | 46,136                         | 46,528                         | +0.0%                          | (0.8)%                         |
| RYO/MYO         | 6,509                          | 6,618                          | 6,675                          | (1.6)%                         | (0.8)%                         |
| Cigars          | 2,066                          | 2,128                          | 2,153                          | (2.9)%                         | (1.2)%                         |
| <b>PORTUGAL</b> |                                |                                |                                |                                |                                |
| Cigarettes      | 1,786                          | 1,675                          | 1,694                          | +6.6%                          | (1.1)%                         |
| RYO/MYO         | 139                            | 166                            | 192                            | (16.5)%                        | (13.3)%                        |
| Cigars          |                                |                                |                                |                                |                                |
| <b>FRANCE</b>   |                                |                                |                                |                                |                                |
| Cigarettes      | 46,545                         | 46,027                         | 46,261                         | +1.1%                          | (0.5)%                         |
| RYO/MYO         | 9,787                          | 9,501                          | 9,105                          | +3.0%                          | +4.4%                          |
| Cigars          | 1,296                          | 1,356                          | 1,401                          | (4.4)%                         | (3.2)%                         |
| <b>ITALY</b>    |                                |                                |                                |                                |                                |
| Cigarettes      | 73,825                         | 73,896                         | 74,412                         | (0.1)%                         | (0.7)%                         |
| RYO/MYO         | 4,520                          | 4,330                          | 4,154                          | +4.4%                          | +4.2%                          |
| Cigars          | 480                            | 484                            | 486                            | (0.9)%                         | (0.4)%                         |

| (€m)                          | 2016           | 2015           | Δ%           |
|-------------------------------|----------------|----------------|--------------|
| <b>Iberia</b>                 | <b>2,639.9</b> | <b>2,576.7</b> | <b>+2.5%</b> |
| Tobacco & Related             | 2,270.9        | 2,218.1        | +2.4%        |
| Transport Services            | 329.9          | 329.5          | +0.1%        |
| Other Businesses              | 129.9          | 116.5          | +11.5%       |
| Adjustments                   | (90.8)         | (87.4)         | (3.9)%       |
| <b>France</b>                 | <b>4,410.8</b> | <b>4,406.9</b> | <b>+0.1%</b> |
| Tobacco & Related             | 4,207.9        | 4,193.0        | +0.4%        |
| Other Businesses              | 209.3          | 221.6          | (5.6)%       |
| Adjustments                   | (6.4)          | (7.7)          | +17.6%       |
| <b>Italy</b>                  | <b>2,611.2</b> | <b>2,518.9</b> | <b>+3.7%</b> |
| Tobacco & Related             | 2,611.2        | 2,518.9        | +3.7%        |
| <b>Corporate &amp; Others</b> | <b>(29.9)</b>  | <b>(31.5)</b>  | <b>+5.1%</b> |
| <b>Total Revenues</b>         | <b>9,632.0</b> | <b>9,471.0</b> | <b>+1.7%</b> |

| (€m)                          | 2016           | 2015           | Δ%              |
|-------------------------------|----------------|----------------|-----------------|
| <b>Iberia</b>                 | <b>506.7</b>   | <b>489.5</b>   | <b>+3.5%</b>    |
| Tobacco & Related             | 248.4          | 245.1          | +1.3%           |
| Transport Services            | 227.3          | 220.2          | +3.2%           |
| Other Businesses              | 73.6           | 66.4           | +10.9%          |
| Adjustments                   | (42.6)         | (42.2)         | (0.9)%          |
| <b>France</b>                 | <b>281.8</b>   | <b>284.2</b>   | <b>(0.8)%</b>   |
| Tobacco & Related             | 236.3          | 238.6          | (0.9)%          |
| Other Businesses              | 50.5           | 51.7           | (2.3)%          |
| Adjustments                   | (5.0)          | (6.2)          | +18.4%          |
| <b>Italy</b>                  | <b>244.9</b>   | <b>230.2</b>   | <b>+6.4%</b>    |
| Tobacco & Related             | 244.9          | 230.2          | +6.4%           |
| <b>Corporate &amp; Others</b> | <b>4.7</b>     | <b>6.3</b>     | <b>(24.4)%.</b> |
| <b>Total Economic Sales</b>   | <b>1,038.1</b> | <b>1,010.1</b> | <b>+2.8%</b>    |

| (€m)                       | 2015         | 2016         | Δ%           |
|----------------------------|--------------|--------------|--------------|
| Iberia                     | 95.1         | 98.1         | (3.0)%       |
| France                     | 76.2         | 73.3         | +3.9%        |
| Italy                      | 75.7         | 63.1         | +19.8%       |
| Corporate & Others         | (12.2)       | (11.6)       | (4.6)%       |
| <b>Total Adjusted EBIT</b> | <b>234.8</b> | <b>222.9</b> | <b>+5.3%</b> |



| (€m)                           | 2016           | 2015           |
|--------------------------------|----------------|----------------|
| PP&E and other Fixed Assets    | 208.7          | 216.0          |
| Net Long Term Financial Assets | 10.0           | 9.5            |
| Net Goodwill                   | 919.1          | 919.1          |
| Other Intangible Assets        | 602.4          | 660.7          |
| Deferred Tax Assets            | 22.4           | 40.9           |
| Net Inventory                  | 1,085.8        | 1,060.5        |
| Net Receivables                | 1,793.1        | 1,773.0        |
| Cash & Cash Equivalents        | 2,062.7        | 1,798.3        |
| <b>Total Assets</b>            | <b>6,704.2</b> | <b>6,478.0</b> |
| Group Equity                   | 471.4          | 442.6          |
| Minority interests             | 2.1            | 1.8            |
| Non Current Liabilities        | 37.6           | 48.2           |
| Deferred Tax Liabilities       | 328.5          | 328.1          |
| Short Term Financial Debt      | 33.6           | 31.7           |
| Short Term Provisions          | 17.1           | 16.8           |
| Trade and Other Payables       | 5,813.9        | 5,608.8        |
| <b>Total Liabilities</b>       | <b>6,704.2</b> | <b>6,478.0</b> |



## 2016 Results presentation

November 2016

