

green
כל הטוב שבטבע. שופרסל

שופרסל

Be by Shufersal



Analyst Presentation

Summary of Results | Second Quarter 2023

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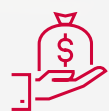
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About Shufersal

as of June 30, 2023



NIS 7.4 billion

Revenues H1 2023



413 branches

In all of the Group's
formats and segments



Approx. 559,000 sq.m

Commercial space



Approx. NIS 5 billion

Market value
As at August 21, 2023



NIS 3.5 billion

Value of real estate
segment assets



Approx. 16,600

Employees



27.5%**

Private label share



Approx. NIS 2.1 million

Members of Shufersal customer club



18.2%**

Online share in H1 2023

* Prior to transfer of the logistic centers at a value of NIS 1.27 billion

**Rate of sales of total sales of Shufersal's stores and shipping centers

The Group has 413 branches

Breakdown by formats and segments (as of June 30, 2023)

273





Approx. 438
thousand sq.m

34






Approx. 60 thousand
sq.m

92



Approx. 38 thousand
sq.m

11



Approx. 10 thousand
sq. m.

3



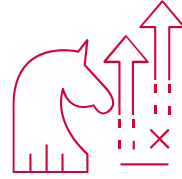
Approx. 13 thousand
sq.m

Group's multi-year growth strategy

Innovation

And the integration of advanced technologies as a competitive advantage and long-term differentiation

- Advanced online platforms
- World-leading automated shipping centers with a total area of approx. 50,000 sq.m
- State of the art logistics center in Shoham with an area of approx. 51,000 sq.m
- Smart carts
- Setting up a data department



Reinforcement and expansion of the core – the retail segment

Leading the retail food business in Israel

Mergers and Acquisitions

Strategies in related areas of activity

Maximizing growth in non-food segments while attaining synergy with the food segment

- Shufersal Real Estate
- Non-food
- Be chain
- Shufersal Finance

Shufersal – the largest food retail group in Israel

שופרסל
SUPREME

שופרסל צ'יף

שופרסל Online



3e
by Shufersal

שופרסל נדליין

שופרסל ש'י

יש'חסד
תמיד תצאו בזול.

PayBox

DAN
דיל שאסור לפספס

שופרסל אסק'ס

שופרסל אקספרס

שופרסל travel
בשיתוף גולבר

איזרון
אופים לך איכות

* Dan Deal is not a part of the Supreme customer club

Summary Data

Approx. NIS
3.7 billion

Revenues
Second quarter 2023

Approx. NIS
391 million

EBITDA
Second quarter 2023

Approx. **4.1%**
consolidated
operating
profit*

of the Group's total revenue,
constituting NIS 152 million, Q2
2023

Approx. NIS
2.1 billion

Net financial debt
As at June 30, 2023

Approx. NIS
3.4 billion

Shareholders' equity
As at June 30, 2023

The positive trend continued in Q2 – consistent improvement in profit and profitability



NIS 3.7 billion revenue

similar to the corresponding quarter last year despite the timing of the Passover holiday whose impact on the Q2 results was small in comparison to its impact on the results of the corresponding quarter last year in terms of the scope of sales and the intensity of the special offers



Approximately 4.7% Operating profit after other income/ expenses

of the Group's revenues, constituting NIS 173 million, compared with 3.8% in the corresponding quarter last year and a rate of 4.1% consolidated operating profit from the Group's total revenues



The automated shipping center in Modi'in

proceeding with commercial operation in accordance with the objectives and to date has supplied 3,000 orders per day



Approx. 2% Net profit from the Group's revenues amounted to NIS 73 million

in Q2 2023



Transfer of the logistic centers* at a value of NIS 1.27 billion to the real estate company

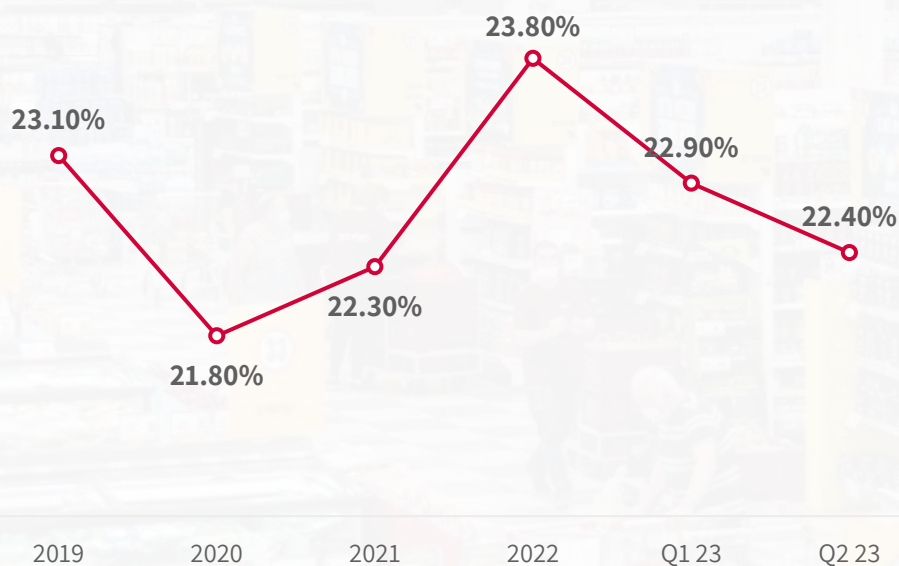
that will serve as an independent growth engine



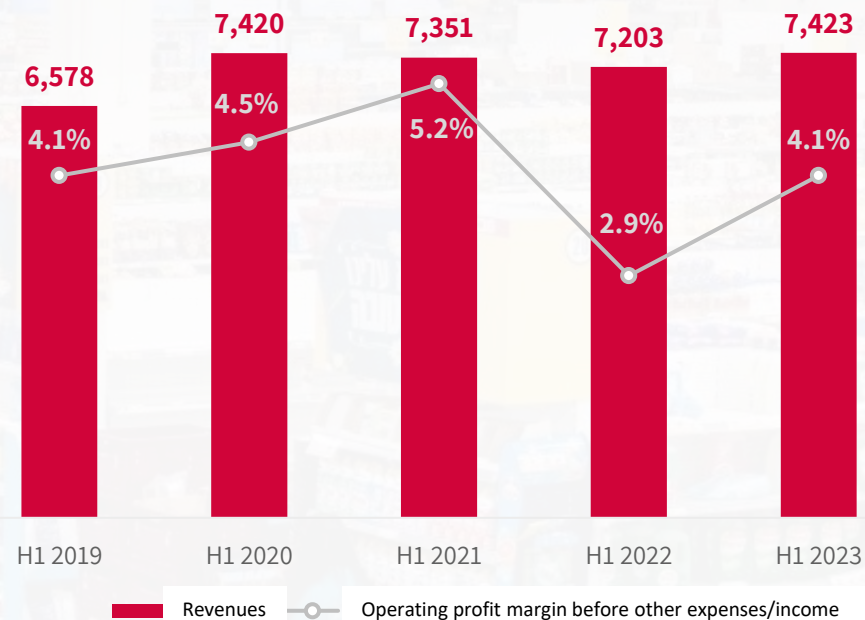
Further streamlining and higher income

The streamlining plan applied by the Group in 2022 is expected to cut Group's expenses by NIS 250 million in 2023

Sales and marketing, general and administrative expenses as a percentage of total revenue



Revenues and operating profit margin as a percentage of total revenue



Group's Results

(NIS million)

Consolidated operating profit*



* Before other expenses/income

Including IFRS 16

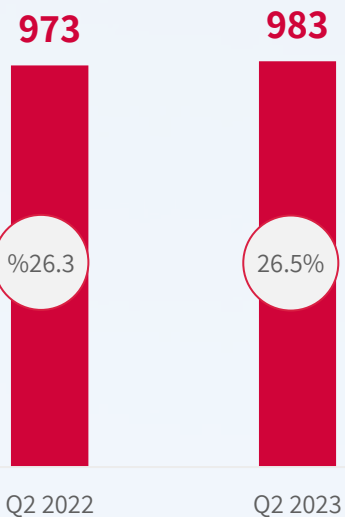
In 2022, the Company recognized a pre-tax one-off expense of NIS 182 million in respect of a streamlining plan, of which NIS 170 million were recognized in the third quarter; the expense was revised to NIS 182 million in the fourth quarter.

(%) = Rate out of total Group revenues

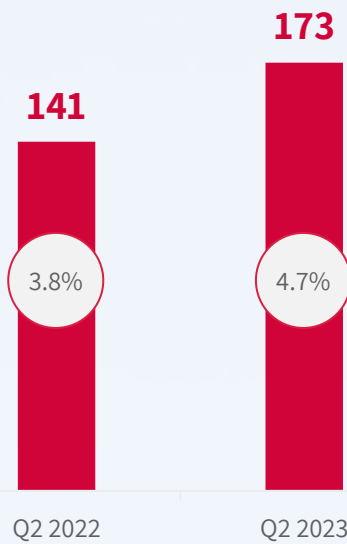
Group's Results - Q2

2023 (NIS million)

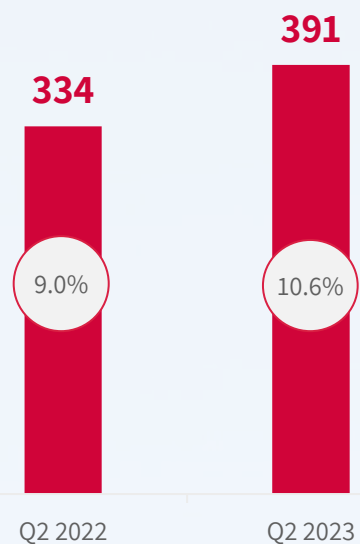
Gross profit



Operating profit after other income/ expenses



EBITDA



Net profit

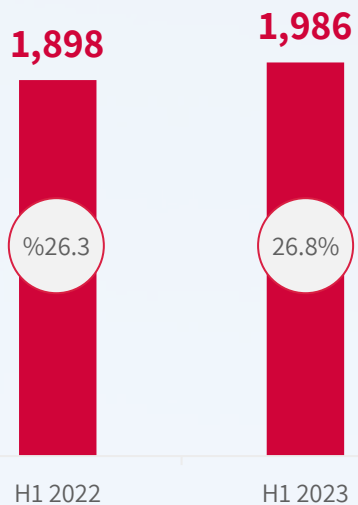


(%) = Rate out of total Group revenues

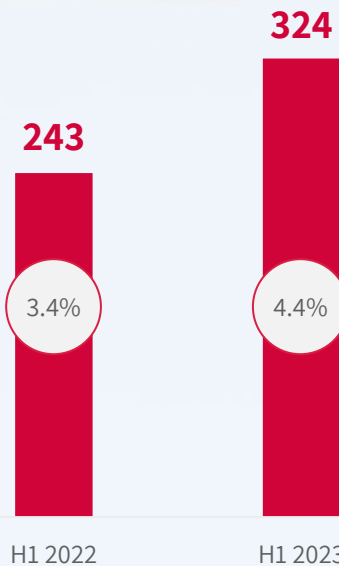
Group's Results - H1

2023 (NIS million)

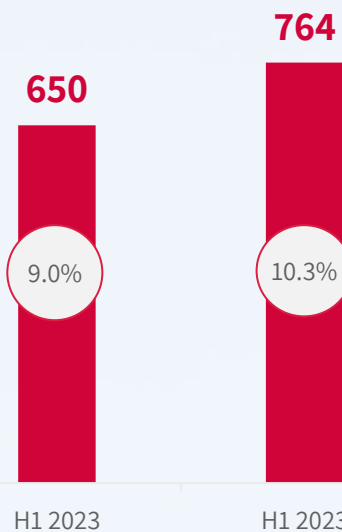
Gross profit



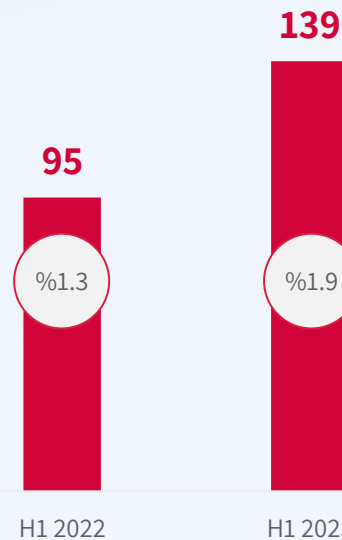
Operating profit after other income/ expenses



EBITDA



Net profit



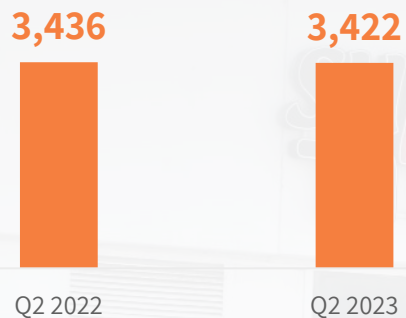
(%) = Rate out of total Group revenues

Operating segments' results – Q2 2023

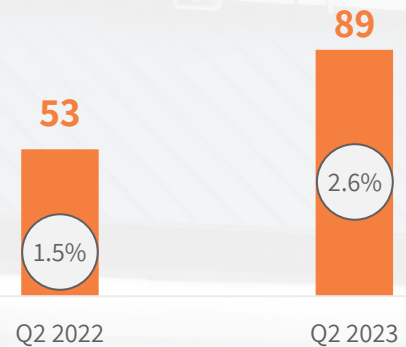
(NIS million)



Retail segment revenues



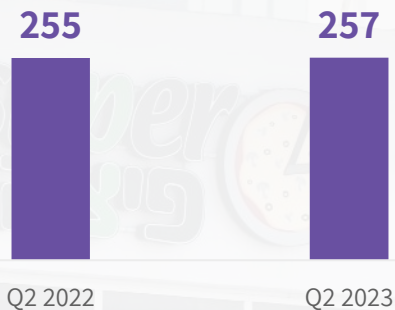
Retail segment operating profit*



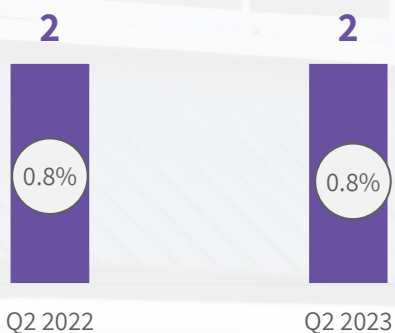
* Before other expenses/income



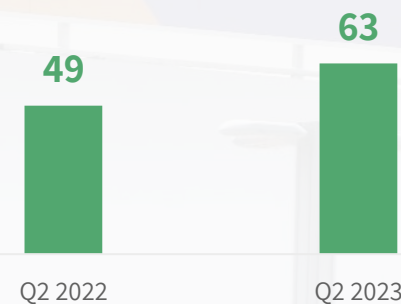
Be segment revenues



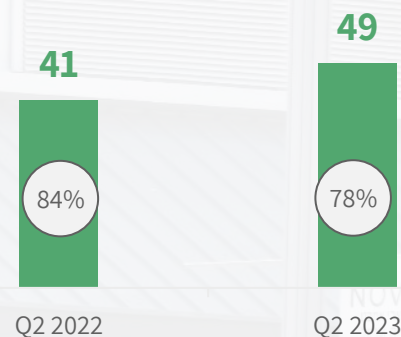
Be segment operating profit*



Real estate segment revenues



Real estate segment operating profit*



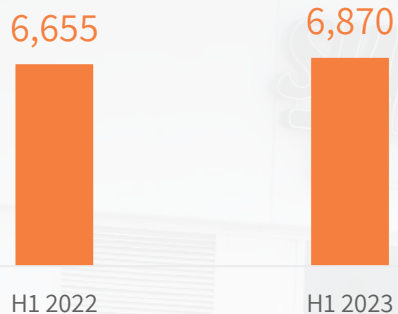
(%) = Rate out of total segment revenues

Operating segments' results – H1 2023

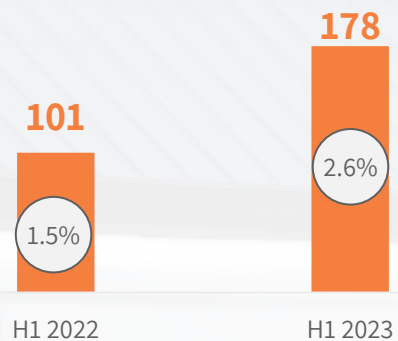
(NIS million)



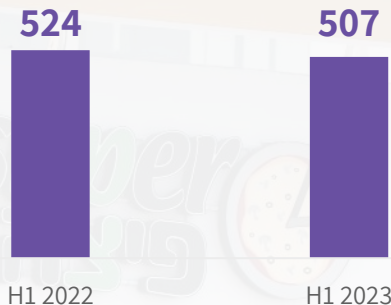
Retail segment revenues



Retail segment operating profit*

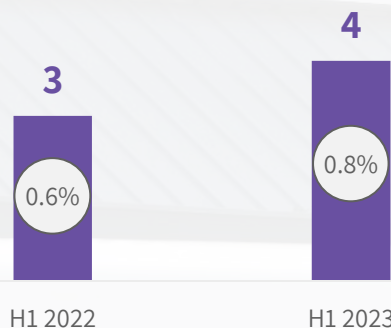


Be segment revenues

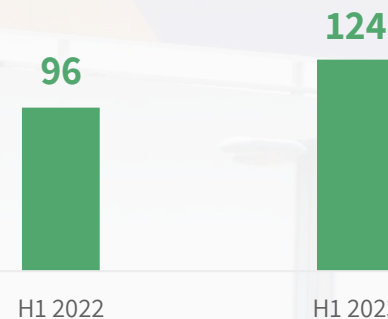


* After deducting the effect of sales of Covid-19 products, the segment's results increased by approx. 4.7% compared with the corresponding half last year

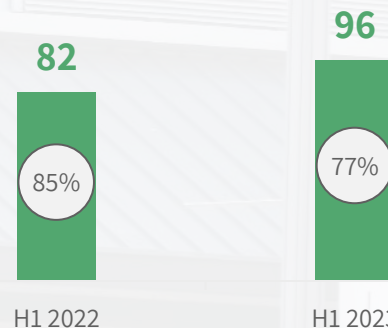
Be segment operating profit*



Real estate segment revenues



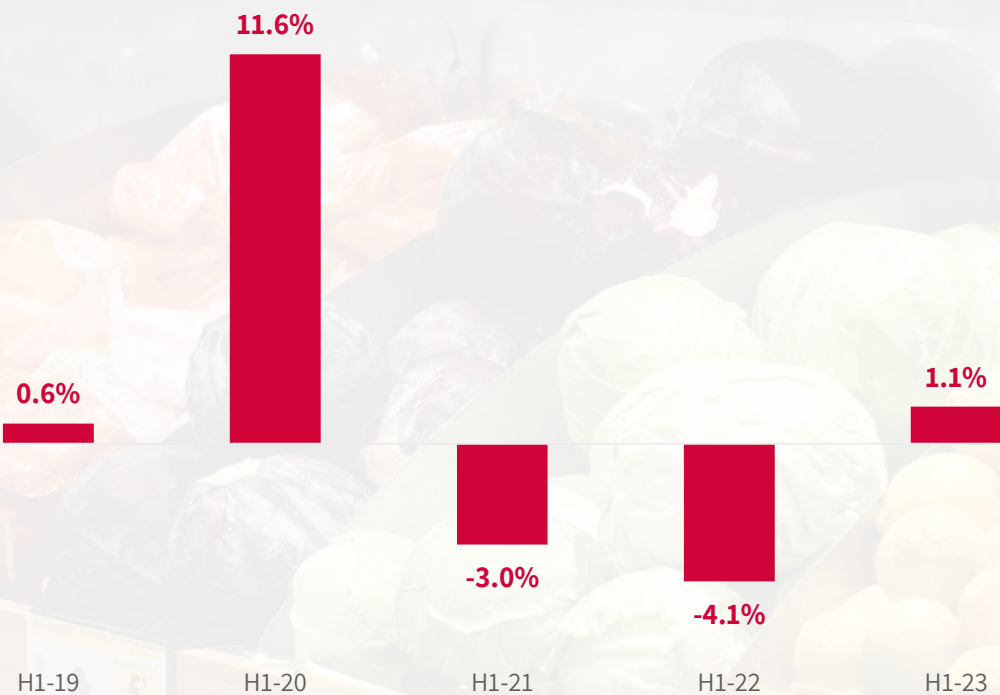
Real estate segment operating profit*



(%) = Rate out of total segment revenues

Retail segment

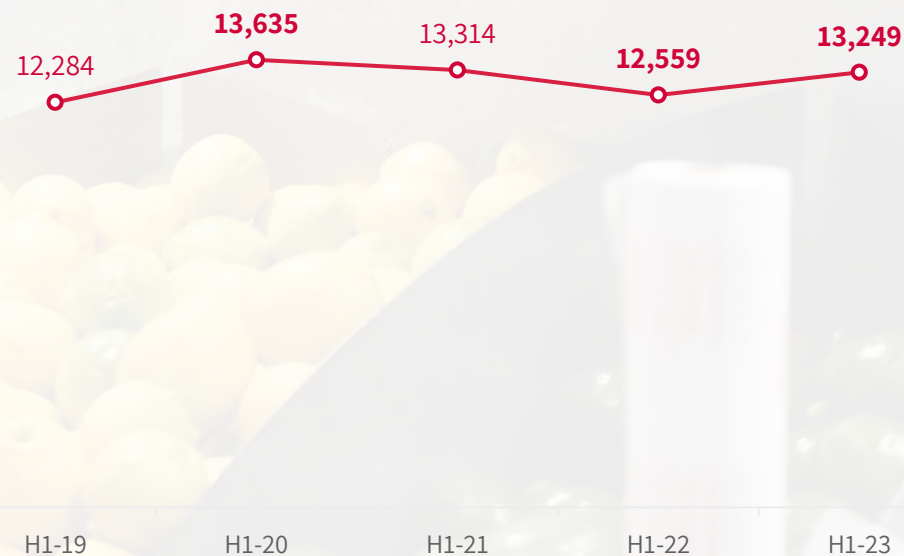
Change in same store sales*



Covid-19

Decline in the impact of Covid-19

Sales per m² excluding the online shipping center in Modi'in



* The online shipping center in Modi'in was launched in January 2023

Shufersal Online - The Market Leader in the Israeli Online Market



During H1 2023, Shufersal Online sales amounted to NIS 1.24 billion, which constituted 18.2% of total sales in Shufersal's branches and shipping centers



The automated shipping center in Modi'in, with an overall area of 43 thousand m², began its initial commercial activity during March 2023, and as of the current date, supplies some 3,000 deliveries per day



The decline in the percentage of online sales from total food retail revenues compared with the corresponding half last year is due to the weakening impact of the Covid-19 crisis, mainly compared with Q1 in the corresponding period last year, and also from reduction of online non-food products sales activity as part of the focusing of operating profitability.



Adding quick delivery service (Wolt) from 'Express' branches as a complementary service of Shufersal Online

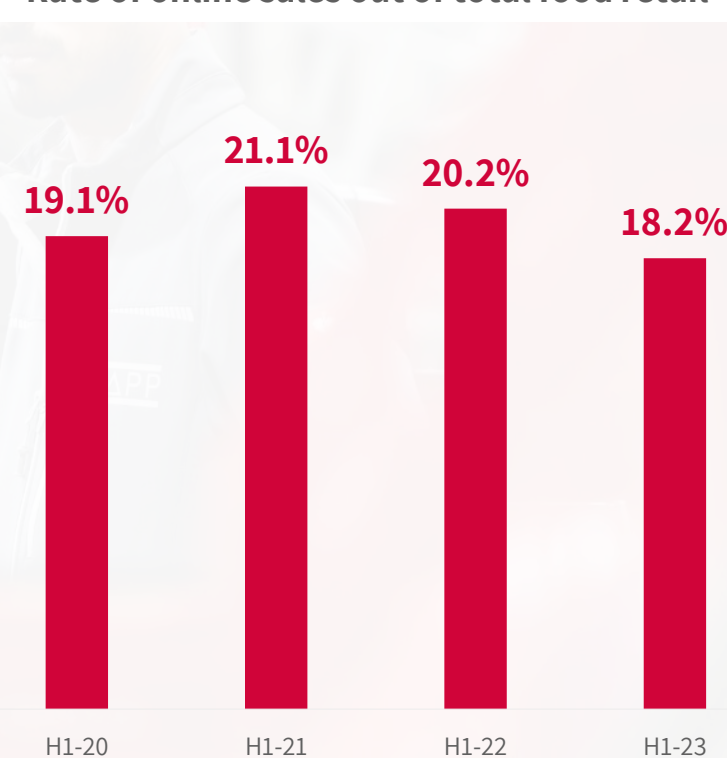


The Company's seven manual shipping centers were closed down during 2022 and 2023 in accordance with the streamlining plan (the remaining branch will be closed down during the second half of this year)



Improved profitability as a result of improved productivity, job cuts, expanded products basket, increased real estate efficiency due to reduction in commercial areas, etc.

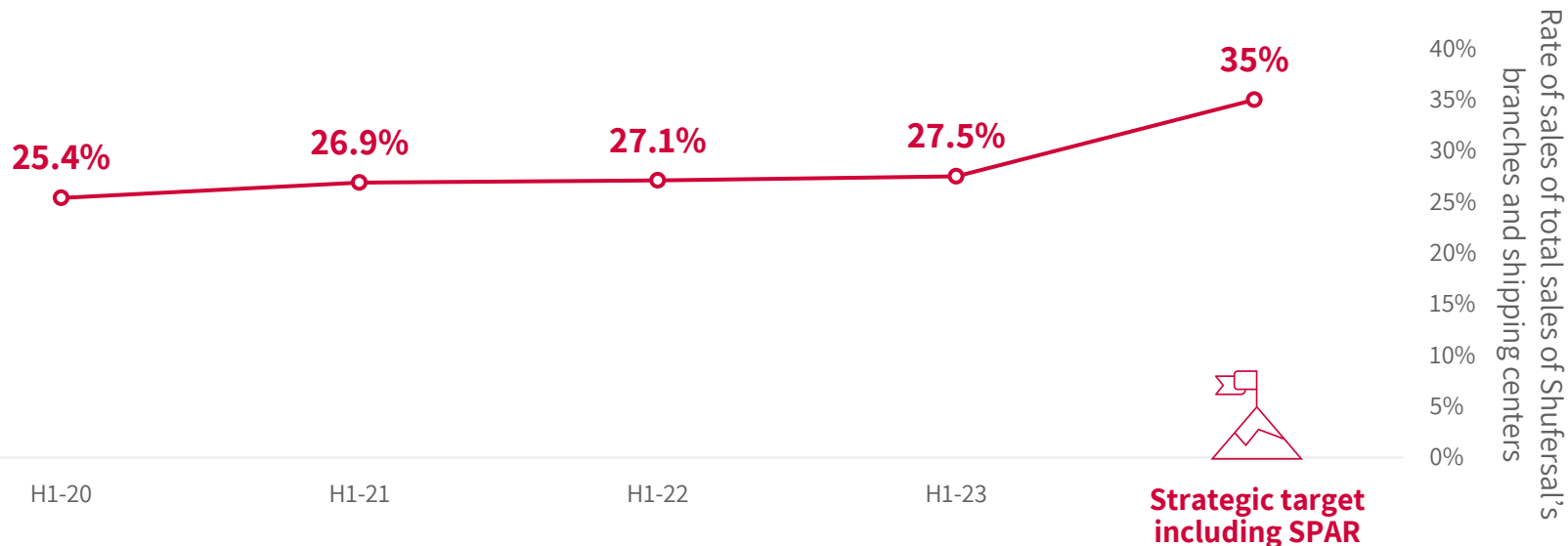
Rate of online sales out of total food retail*



* Shufersal branches and shipping centers

Israel's largest private label

With more than 6,000 products under its private label, Shufersal continues to invest in development and quality control, and launches hundreds of new products every year in a range of categories.



The Company is in the process of obtaining approval* to launch the Spar Israel chain that will enable Spar Israel to open branches in Israel and both import and sell products of the Spar private brand at the Shufersal chain. In combination with Shufersal's private label, the Group will be able to increase its product range and become attractive for new customer categories.



* Conclusion of the transaction is subject to obtaining approval from the Israel Competition Authority



Growth engines



Credit cards and financial services

Shufersal is working to introduce a partner or investor into its financial activity



Approx. 636 thousand credit card holders

Credit card club members enjoy benefits and seamless and quick link with PayBox

Financial services

Provision of loans to club members and withdrawal of cash at branches' tills

The loans portfolio is enjoying significant growth

Paybox

One of the 2 **leading** P2P apps in Israel
Approx. 3.5 million downloads of the app
Approx. 1.2 million active customers

A digital credit card and wallet, which is free of charge (always); customers accumulate cash back on each and every purchase

Leveraging Paybox users to market financial products and services at terms, which are more attractive than those offered by banks

Willing to challenge the banking system

Users can manage their balances and use them to make payments

Paybox deposit



Shufersal Business

Further growth in the institutional market (market size - NIS 16.5 billion)



Institutions

(large organizations providing catering services to employees or customers)



Chains

(hotels, coffee shops and restaurants with multiple branches)



Independent

(restaurants, coffee shops, hotels and independent venues, corner shops and kiosks)

Provision of advanced value proposition which is based on:



A broad range, One Stop Shop



Prices that are in line with customer's needs and characteristics



Advanced services, with an emphasis on availability and flexibility



Development of private label for institutional customers "Shufersal PRO"



A third Cash & Carry store has been opened in Ashdod, the largest store in this format

Shufersal Business – Shufersal Amiga Logistics Center

Opening a logistics center which is dedicated to business customers

| | |
|-----------------------------------|---|
| Location | Modi'in |
| Area | Approx. 10,000 sq.m. |
| 3 temperature environments | dry, chilled, frozen. Approx. 1,500 items |
| Storage capacity | approx. 7,000 pallets |

- Continuing growth and adding complementary products: meat, non-food, fruit and vegetables quality groups
- Acquisition of “Hamefitz”, a company importing and marketing food products for the institutional market was completed

Shufersal Real Estate - a Significant Player in the Israeli Market

- The real estate segment serves as a growth driver. In this context, management of the income-generating real estate company was split from that of the real estate retail activity
- A CEO, Oren Hod, was appointed to Shufersal Real Estate, commencing from January 1, 2023
- Transfer of the logistic centers* (Rishon LeZion, Shoham, Modi'in) under Shufersal Real Estate that completes the strategic move for separation of the income-producing real estate activity and the real estate retail segment and enables focusing of business activity on expansion and enhancing of the real estate activity in a separate company, while generating value

*Conclusion of the transaction is subject to obtaining approval from the Israel Tax Authority

Shufersal Real Estate benefits from strong financial backing by the Shufersal Group

The real estate company has a separate board of directors headed by Itzik Abercohen, the Chairman of Shufersal Group's board of directors

Shufersal Real Estate - ID Card



Approx. NIS 3.47 billion*

Assets value



79 assets



Approx. NIS 62.5 million

Scope of revenues Q2



230 thousand sq.m

Income-generating areas (excluding car parks)



Approx. NIS 2.57 billion

Shareholders' equity



Approx. NIS 49 million

EBITDA Q2



Approx. NIS 33 million

FFO* Q2



Approx. 160 thousand sq.m

Building rights

As of June 30 2023

* Prior to transfer of the logistic centers at a value of NIS 1.27 billion

** According to the Israel Securities Authority approach

Shufersal Real Estate - Growth Drivers



Appreciation

- Increasing building rights
- Adding and/or expanding income-generating areas in existing assets
- Synergy with Shufersal Group's stores
- Increasing revenues



New assets

- Participation in tenders for acquisition of land
- Identifying and purchasing rights to build income-generating buildings
- Building and acquiring new logistics centers
- Assessing the expansion of activity in the field of car parks



Utilizing market opportunities

- Identifying opportunities to acquire existing income-generating real estate compounds
- Identifying opportunities to acquire companies/entities by way of cash or M&A transactions
- Entering into mixed-use projects including commercial and employment in city centers



Focusing on
improving
profitability



Opening 10
branches in
attractive
locations
in 2023



Opening 10
sales points
in Shufersal
Deal
branches



Enhancing the
synergy with
Shufersal and
increasing the Be
private brand
share of sales



Launching an
independent
website,
including
pick-up



Business
development in
the field of
wellness



Wholesale activity

Development and import of discount products and distributing those products to Dan Deal stores and to a range of other stores in Israel



Retail activity

A store was opened in Tirat HaCarmel and an additional two stores will be opened later this year



Store-within-a-store

Two stores were opened in Shufersal Deal branches

Technology innovations



Automated shipping center



Autonomous store

Product vending machines



Smart cart

2,000 smart carts in 2023



Setting up a data department



Integration of AI capabilities in a variety of projects and data models



Self-service check-out counters



LED displays (in-store-marketing)

Presentation of prices and advertisement of special offers on mini-LED screens

Cash flow (NIS million)

| Line item | 1-6.2023 | 1-6.2022 | 4-6.2023 | 4-6.2022 | December 31, 2022 |
|--|-------------|--------------|-------------|--------------|-------------------|
| Cash provided by operating activities | 439 | 697 | 62 | 235 | 1,319 |
| Realization (investment) of deposits, net | 6 | 75 | 25 | -75 | 760 |
| Cash used for investing activities | -313 | -393 | -143 | -187 | -836 |
| FCF | 132 | 379 | -56 | -27 | 1,243 |
| Cash used for financing activities | -313 | -420 | -137 | -262 | -1,048 |
| Change in cash | -181 | -41 | -193 | -289 | 195 |
| Cash balance at the start of the period | 631 | 436 | 643 | 684 | 436 |
| Cash balance at the end of the period | 450 | 395 | 450 | 395 | 631 |
| Short-term deposit | 90 | 775 | 90 | 775 | 90 |
| Total cash and cash equivalents and short-term deposits | 540 | 1,170 | 540 | 1,170 | 721 |

Balance Sheet - Assets

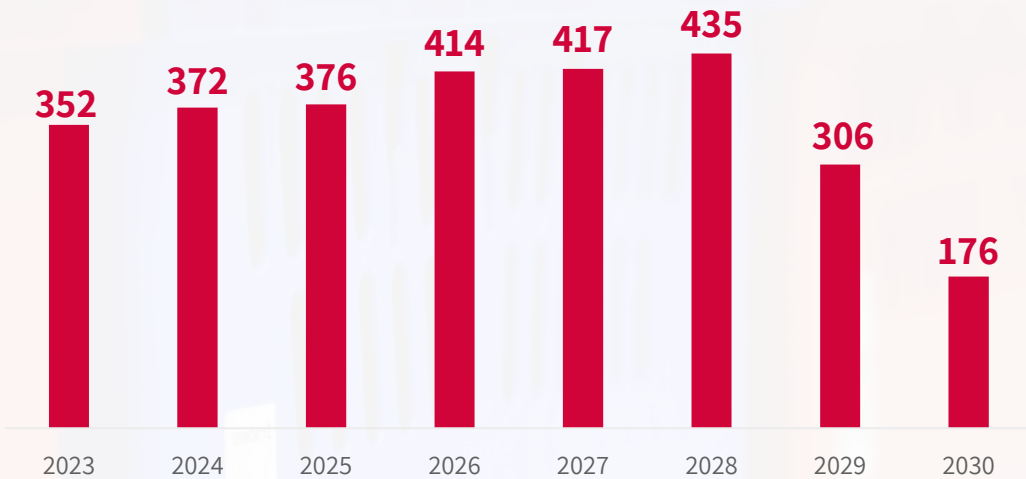
| Line item | June 30, 2023 | June 30, 2022 | December 31, 2022 |
|---|---------------|---------------|-------------------|
| Cash and cash equivalents and short-term deposits | 540 | 1,170 | 721 |
| Trade receivables | 1,542 | 1,475 | 1,467 |
| Receivables and debit balances | 214 | 181 | 170 |
| Inventories | 1,038 | 960 | 928 |
| Other investments | - | 23 | - |
| Total current assets | 3,334 | 3,809 | 3,286 |
| Receivables and debit balances | 119 | 107 | 108 |
| Investments in associates (including loans) | 107 | 208 | 108 |
| Other investments | 29 | 73 | 29 |
| Investment property | 1,459 | 932 | 1,380 |
| Property, plant & equipment | 3,563 | 3,524 | 3,530 |
| Right-of-use assets | 4,499 | 4,291 | 4,411 |
| Intangible assets | 1,526 | 1,372 | 1,535 |
| Deferred taxes | 168 | 118 | 160 |
| Total non-current assets | 11,470 | 10,625 | 11,261 |
| Total assets | 14,804 | 14,434 | 14,547 |

Balance sheet – liabilities and equity

| Line item | June 30, 2023 | June 30, 2022 | December 31, 2022 |
|---|---------------|---------------|-------------------|
| Current maturities of liabilities to banking corporations | 9 | - | 9 |
| Current maturities of bonds | 346 | 345 | 307 |
| Current maturities of lease liabilities | 419 | 402 | 416 |
| Trade payables | 2,132 | 2,300 | 2,248 |
| Other accounts payable | 1,241 | 1,136 | 1,173 |
| Provisions | 66 | 74 | 75 |
| Total current liabilities | 4,213 | 4,257 | 4,228 |
| Liabilities to banking corporations | 84 | - | 86 |
| Bonds | 2,175 | 2,428 | 2,178 |
| Lease liabilities | 4,279 | 3,988 | 4,172 |
| Employee benefits, net | 260 | 251 | 256 |
| Other liabilities | 228 | 122 | 234 |
| Deferred taxes | 190 | 169 | 174 |
| Total non-current liabilities | 7,216 | 6,958 | 7,100 |
| Equity | 3,375 | 3,219 | 3,219 |
| Total liabilities and equity | 14,804 | 14,434 | 14,547 |

Structure of the Company's debt

Future bond payments (NIS million)



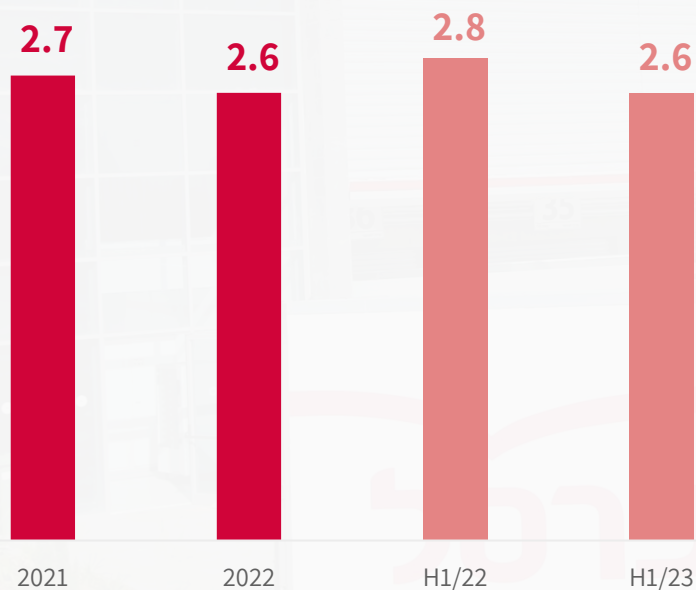
- Issuer rating S&P Maalot ilAA- with a stable outlook

June 30, 2023 (NIS million)

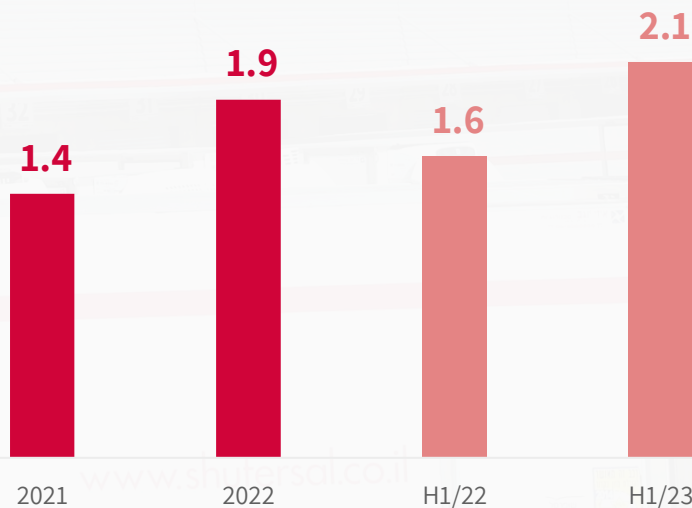
| | |
|--|--------------|
| Unlinked government bonds | 1,595 |
| CPI-linked bonds* | 926 |
| Credit and liabilities from banking corporations | 93 |
| Total debt (gross) | 2,614 |
| Cash and short-term deposits | (540) |
| Net debt | 2,074 |

Leverage levels - financial debt

Gross debt closing* (NIS million)



Net debt closing** (NIS million)



iLAA-/Stable
S&P Maalot rating

As of October 3, 2022

Excluding IFRS 16 liability

- * Bonds and credit from banking corporations (including interest payable). Not including credit facilities at banks totaling NIS 500 million.
- ** Gross financial debt minus cash, cash equivalents and short-term deposits

Recap



The largest and leading group in Israel



Business focus - increasing the profitability of the retail business and expanding the activity of growth drivers



The largest customer loyalty program in Israel, with 2.1 million members



Formation of a new management team that strengthens the Group and a focused real estate management



Technology innovations



Financial robustness



Potential for maximizing value in Shufersal Real Estate



Applying a multi-year growth strategy and utilizing acquisition opportunities



Thank You!

