3i Capital Markets Seminar

Action

9 March 2018
Introduction to Action  
Simon Borrows

Update on strategic delivery  
Sander van der Laan

Refresher on Action Business model  
Sander van der Laan

2017 performance and beyond  
Sander van der Laan

Financial performance  
Frederik Lotz
Introduction to Action
Simon Borrows
3i acquired Action in September 2011

- Acquired from founders in primary buyout for 8.3x EBITDA
- Investment triggered by proactive approach from 3i
- Six months exclusive off market due diligence process
Milestones 2011-2017

- Transitioned from founders to professional management
- Strengthened the team and built systems and processes
- Accelerated international growth and expanded into seven European markets
- New CEO and CFO appointed in 2015 to lead next phase of development
Strong value creation and continued potential

Action – 3i carrying value, £m

- £2,312m carrying value at December 2017
- Valued at 16.0x run-rate EBITDA multiple post liquidity discount
- Action reported EBITDA of €387m in 2017
- 26.5x 3i gross money multiple in euro terms at December 2017, including realisations up to December 2017(1)
- Net proceeds of c.€321m to 3i from the March 2018 recap
- March 2018 recap will increase gross realised 3i money multiple over cost in euro terms to 8.1x

Source: 3i Annual and Half-yearly reports.

(1) Gross cash proceeds over cash invested in euro terms. Valuations of remaining investment are included in the multiple.
Today’s speakers

Sander van der Laan

Chief Executive Officer

- Joined in October 2015
- 27 years of Consumer & Retail experience
  - CEO Albert Heijn (2011 – 2015)
  - COO Ahold Europe
  - General Manager Albert Heijn
  - CEO Giant Food Stores (Ahold USA)
  - EVP Marketing & Merchandising Albert Heijn
  - General Manager Gall & Gall

Frederik Lotz

Chief Financial Officer

- Joined in August 2015
- >16 years of CFO experience
- Previous CFO roles:
  - CFO Arla Foods 2010 – 2015
  - CFO Danfoss 2007 – 2009
  - CFO Ferrosan 2002 – 2006
- Held various financial positions at Maersk
- Significant international experience (France, China)
Update on strategic delivery

Sander van der Laan
Update on strategic delivery: 2017 proved to be another successful year

- €3,418 Million revenue, +28%
- 5.3% Like-for-Like sales growth
- €387 Million Operating EBITDA
- 243 Stores added
- 2 New distribution centres
- 1 New country
Update on strategic delivery

1. Strengthen our unique customer value proposition

2. (International) geographic expansion

3. A cost-effective, simple and scalable business model that delivers our strategy

4. Build on the unique Action culture & values
## Update on strategic delivery

### Strengthen our unique customer value proposition

<table>
<thead>
<tr>
<th>Always the lowest price</th>
<th>Strengthen and protect brand profile &amp; company reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Famous for surprise</td>
<td>Accelerate Digital &amp; 1:1</td>
</tr>
<tr>
<td>Trusted for quality</td>
<td>To develop &amp; deploy Action Social Responsibility (ASR)</td>
</tr>
</tbody>
</table>

### International geographic expansion

<table>
<thead>
<tr>
<th>Rapid expansion in Germany &amp; France</th>
<th>Expansion &amp; network development in Benelux</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll out in Austria &amp; Luxembourg</td>
<td>Entry into new countries</td>
</tr>
<tr>
<td>Roll out in Poland</td>
<td>Build European distribution network</td>
</tr>
</tbody>
</table>

### A simple, scalable, and cost-effective business model that delivers our strategy

<table>
<thead>
<tr>
<th>Effective organisation, leadership and processes</th>
<th>Strengthen HR operating model</th>
<th>Build a technology infrastructure</th>
<th>Business insights</th>
<th>World-class sourcing and procurement</th>
<th>End-to-end supply chain</th>
</tr>
</thead>
</table>

### Build on the unique Action culture & values

Customer Focused | Cost Conscious | Teamwork | Discipline | Simplicity | Respect
Update on strategic delivery: significant international growth since the investment by 3i in 2011

<table>
<thead>
<tr>
<th>€m Revenue</th>
<th># of stores</th>
<th>% NL revenue</th>
<th># of DCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>607</td>
<td>3,418</td>
<td>~95%</td>
<td>1</td>
</tr>
<tr>
<td>245</td>
<td>1,095</td>
<td>~33%</td>
<td>7¹</td>
</tr>
</tbody>
</table>

1) Including 2 DCs under construction

CAPITAL MARKETS SEMINAR
Update on strategic delivery: consistent high growth track record

**Strong net sales growth (€m)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>426</td>
<td>515</td>
<td>607</td>
<td>718</td>
<td>873</td>
<td>1,155</td>
<td>1,506</td>
<td>1,995</td>
<td>2,675</td>
<td>3,418</td>
</tr>
</tbody>
</table>

**Strong EBITDA growth (€m)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>39</td>
<td>49</td>
<td>71</td>
<td>86</td>
<td>99</td>
<td>128</td>
<td>166</td>
<td>226</td>
<td>310</td>
<td>387</td>
</tr>
</tbody>
</table>

**Rapid store expansion**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>190</td>
<td>220</td>
<td>245</td>
<td>269</td>
<td>321</td>
<td>406</td>
<td>514</td>
<td>655</td>
<td>852</td>
<td>1,095</td>
</tr>
</tbody>
</table>

**Increasing DC network**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

**Strong net sales growth**

**Strong EBITDA growth**

**Rapid store expansion**

**Increasing DC network**
Refresher on Action Business model

Sander van der Laan
Unique business model providing sustainable competitive advantage

One brand & one format

Price

Surprise

Customers

Scalable business model

People
One brand
One concept across all countries

1 brand
1 store format
1 store operating model

- Stores between 700 to 1,100 sqm
- More than 90% of assortment is the same across all countries
- Focus on simplicity enables fast growth
Unbeatable prices offered to our customers

% of products in different price ranges

- ~35%
- ~30%
- ~25%
- ~7%
- ~2%

Primary offering

<table>
<thead>
<tr>
<th>Price Range</th>
<th>Action</th>
<th>Competitor minimal basket</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0-1</td>
<td>100</td>
<td>154</td>
</tr>
<tr>
<td>€1-2</td>
<td>100</td>
<td>163</td>
</tr>
<tr>
<td>€2-5</td>
<td>100</td>
<td>160</td>
</tr>
<tr>
<td>€5-10</td>
<td>100</td>
<td>161</td>
</tr>
<tr>
<td>&gt;€10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Unbeatable prices for competition (1)

(1) GfK Image and Awareness Study December 2017 / Source: Company information
Unbeatable prices offered to our customers

- **Oral-B Power Electric Toothbrush**: £3.70
- **Sesame snaps**: £0.18
- **Freija cat food**: £1.69
- **Green Boots green mould remover**: £1.87
- **Sento Caring Shampoo**: £0.55
- **Lifecare pregnancy test**: £1.29
- **Panasonic AAA Batteries**: £1.79
Unbeatable price offering based on multiple factors

- We buy big volumes
- No fixed assortment
- Efficient logistics
- Low overhead costs
- Low marketing expenditure
- Standardised store processes
- No high street locations
- Simple business model
Surprising assortment essential for our strong customer proposition

2/3 of the assortment is constantly changing

> 150 new articles every week

Weekly specials

Seasonal offers
Loyal customer base is spreading the word

Total country-wide brand awareness and catchment area brand awareness

Prizes won in 2017 (country wide awards)

(1) GfK Image and Awareness Study December 2017 / Source: Company information
Strong brand with a very strong conversion towards buying at Action

Conversion from awareness to consideration
- GfK Image and Awareness Study December 2017 / Source: Company information

Conversion from consideration to purchase

Buying behaviour\(^{(2)}\)

<table>
<thead>
<tr>
<th>National</th>
<th>Within catchment area</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>31%</td>
</tr>
<tr>
<td>45%</td>
<td>36%</td>
</tr>
</tbody>
</table>

(1) GfK Image and Awareness Study December 2017 / Source: Company information
(2) % clients that purchased one or more products at Action in the previous six months
Proposition travels across borders, allowing fast roll-out in several countries simultaneously.
Scalable supply chain with 2 new DCs in 2017 and 2 more DCs under construction:

- **Existing**: DC-A (Zwaagdijk, NL)
- **New in 2017**: DC-B (Echt, NL), DC-C (Moissy, FR), DC-D (Biblis, DE), DC-E (Labastide, FR), DC-F (Belleville, FR)
- **Under construction**: DC-G (Peine, DE)

**Timeline**:
- Open Q2 2013
- Open Q2 2014
- Open Q2 2016
- Open Q3 2017
- Under construction Q2 2017
Company culture is fundamental to our success

1. Customer focus
2. Cost consciousness
3. Teamwork
4. Discipline
5. Simplicity
6. Respect
Experienced management team continues to deliver profitable growth

Action operating team

- **CEO**
  - Sander van der Laan

- **CFO**
  - Frederik Lotz

- **Commercial Director**
  - Hajir Hajji

- **Marketing Director**
  - René Repko

- **HR Director**
  - Liz van der Werf

- **Supply Chain Director**
  - Joost Bous

- **Communications Director**
  - Yvette Moll

- **Real Estate Director**
  - Angus Booth

- **Operations Director**
  - Bart Raeymakers

- **Legal Director**
  - Rob Wesseling

- **IT Director**
  - Jens Burgers
Significant focus on Action Social Responsibility
2017 performance and beyond

Sander van der Laan
Action has an ambition to become a €10 billion company

Action revenue in €m
2017 was another strong year

- Like-for-Like at 5.3%
- 243 stores added
- EBITDA €387m (EBITDA margin of 11.3%)

...but some areas required attention

- Supply chain transition costs
- Soft performance in Decoration and Fashion

Underlying performance remains strong

- Like-for-Like sales growth in all countries
- Store openings pace increasing
- Underlying margins improving
In 2017 we focused on strengthening the company for future growth
Strong Like-for-Like sales growth in 2017 to be delivered again in 2018

Drive Like-for-Like all categories
New Category Sports
Private Label Programme
Refresh Format
Digital Transformation
Marketing Programme
Like-for-Like – continuous development of all 14 categories

- Overall Like-for-Like sales growth of 5.3% in 2017
- Healthy Like-for-Like growth in all markets
- Q4 showed softness in two of our product categories (Fashion & Decoration)
- Within categories, focus on:
  - Price
  - Surprise (newness)
  - Quality
Like-for-Like – Sports will be introduced as our 14th category

- 14th category within Action assortment, taking over store space from fashion
- In store from March 2018 onwards with 9 meters of racking
- Starting with ~80 SKUs from existing assortment, increasing to ~125 SKUs by the end of 2018
- Assortment to focus on:
  → Sports clothing
  → Fitness equipment
- Own private label named Kaytan to be introduced during 2018
Like-for-Like – steadily expanding our range of private labels

- Over the next years we want to invest significantly in our private label portfolio
- Private labels are a big opportunity for Action:
  - Stronger Like-for-Like sales growth and margin performance compared to other non-branded products
  - Improves customers quality perception
- Action has 53 private labels in its assortment, spread across all categories (17 more private labels compared to 2016)
Like-for-Like – pilot started for a refreshed Action format

- Pilot started in 2017 in Haarlem (Netherlands)
- First findings positive:
  - Stimulates Like-for-Like development of stores
  - Enhances customer store experience
  - Brings innovation to the store
- Refreshed format will also be tested in Germany and Belgium
- Successful characteristics of refreshed store format to be incorporated in:
  - Blueprint new stores
  - Blueprint stores to be remodelled
Like-for-Like – digital transformation on the move

- Customer experience to be strengthened over the coming years through improved digital presence via:
  → Website (www.action.com launched in 2017)
  → Social media
  → E-mail

- Action has significantly invested in its digital customer proposition in order to drive traffic and Like-for-Like sales growth, and will continue to do so in the coming years

Since launch of action.com, the average number of visits per day has increased significantly

Social media base grew by almost 400% to 1.2 million followers

Independent fan groups in FR and NL counted more than 350,000 members each
Like-for-Like – optimising our non-digital marketing spend

New non-digital marketing spend expected to increase store traffic and Like-for-Like growth
Continuous acceleration of growth via expansion to new countries and more store openings

France
Germany
Poland
Remodelling
Quality of execution
Opening profile
Expansion - acceleration of store opening pace continued in Germany, with 80 new stores in 2017

- Country entered in 2009
- 80 new stores in 2017
- Local headquarter in Düsseldorf
- 1 distribution centre operational in Biblis and 1 distribution centre under construction in Peine

Country statistics:

- Population: 82.8m (Germany) 17.1m (Netherlands)
- Action stores: 216 (Germany) 367 (Netherlands)
- Population per store: 383k (Germany) 47k (Netherlands)
Expansion - growth in France has been significant, with 115 new stores in 2017

Country statistics:
- Population: 67.0m, 17.1m
- Action stores: 335, 367
- Population per store: 200k, 47k

- Country entered in December 2012
- 115 new stores in 2017
- Local headquarter in Paris
- Replaced Warehouse Service Provider for Moissy with XPO in 2017
- 2 distribution centres operational in France and 1 distribution centre under construction in Belleville
Expansion – successful entry into Poland in 2017

- Six pilot stores were opened in the South-West of Poland in the fourth quarter
- Action formula appeals to our new Polish customers and we are planning to open more stores in Poland in 2018
- In the process of setting up a local office in Katowice
Expansion - further foundation for expansion

**Remodelling**
- Step up in number of remodellings with focus on NL and Belgium
- 2017:
  → 10 store relocations
  → 3 store enlargements
  → 14 store refurbishments

**Quality of execution**
- Continuous improvement in quality of new stores
- Focus on improvement of people, processes and equipment

**Opening profile**
- Create more equal spread of store openings throughout the year
- Current opening spread skewed towards Q4

Illustrative
Foundation – developing Sourcing and Supply infrastructure to support long-term growth

Sourcing models *(illustrative)*

- Far East Sourcing
- Direct Sourcing Europe
- Wholesalers
- A-brands / local sourcing

- Network of ~1,000 suppliers, of which >400 direct suppliers
- Diversity in sourcing models requires intensification in planning activities
- Additional distribution centres required in the coming years to underpin store openings
Foundation – growth to be supported by the right Systems & People

**Systems** *(key focus areas)*

- **In-store technology** *(Payment terminals, upgraded POS software, headsets)*
- **Supply Chain** *(Planning, upgraded Warehouse Management software)*
- **Digital** *(CRM)*
- **HR** *(Cloud-based system for all countries)*

**People**

- **Significant leadership upgrades**
- **Very strong engagement levels**
- **Further strengthening of country organisations**
- **Rapid improvement of employer branding**
Store roll out over the years (2013 – 2015 – 2017)
Still significant potential in existing and new countries
Financial performance

Frederik Lotz
Consistent high growth track record

Rapid net sales growth (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (€m)</th>
<th>Net Sales CAGR: 31%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>426</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>515</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>607</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>718</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>873</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>1,155</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>1,506</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1,995</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>2,675</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>3,418</td>
<td></td>
</tr>
</tbody>
</table>

Strong EBITDA growth (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (€m)</th>
<th>EBITDA CAGR: 31%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>128</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>166</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>226 (1)</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>310</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>387</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company information

(1) Excluding impact of 53rd week
Action’s repeatable economic model

1. Clear value drivers
   - Like-for-Like sales growth
   - # new stores
   - EBITDA margin

2. Superior store economics
   - Consistent gross margin across categories
   - All Like-for-Like stores profitable
   - Converting EBITDA margins

3. Excellent cash generation
   - Low capital intensity
   - Negative working capital
   - Very fast pay-back

4. Strong economic model
   - Proven
   - Consistent
   - Predictable
   - Robust

5. Tight centralised financial governance and control
1 Strong Like-for-Like sales growth
Key Like-for-Like driver is increase in number of customers

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth</td>
<td>7.2%</td>
<td>7.6%</td>
<td>6.9%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Source: Company information
New store openings

Source: Company information

(1) Net new store openings was 243 as a result of one store closing in the Netherlands
Limited seasonality in sales

Net sales by trading period

EBITDA by trading period

Source: Company information
Note: Q1 comprises 4 periods of 4 weeks; Q2, Q3, Q4 all comprise of 3 periods of 4 weeks
Balanced revenue mix between countries
Already over 60% of sales generated outside the Netherlands
1 Superior growth versus selection of peers

Source: Company information, broker research
Note: Sales not calendarised, fiscal year ending in January for Five Below, Dollar Tree, Inditex and Dollarama; in February for Dollar General; in March for B&M and Poundland; in November for H&M; in December Europris;
(1) Mar-13 to Mar-18E CAGR; (2) Based on J.P. Morgan Research estimate (as of Dec-17); (3) Based on Dec-17A sales
2. Consistent margins across all categories

Source: Company information

(1) (Net sales - Cost of goods sold) / Net sales
(2) Excluding 14th category Sports
All Like-for-Like stores\(^1\) are consistently profitable across all countries.

Source: Company information

Note: Chart shows store contribution (€k) and store contribution as % of net sales (2017). Store contribution is store EBITDA before indirect store expenses.

(1) Like-for-Like stores includes all stores opened before 1 January 2017.
Underlying country EBITDA margins increasing over time

Source: Company information
Very attractive pay-back periods for new stores

Highly attractive new store dynamics

- Rapid sales ramp-up post-opening
- Real estate discipline driving low rent costs:
  - No high street locations
  - At market or lower than market rent
  - Low maintenance capex

Average payback of new stores (illustrative)

- ~3.0
- ~0.5

- ~1 year payback period

Source: Company information

1) Including opening costs for new stores
2) Based on total sales/total number of stores
3) Including opening costs for new stores
Cashflow in 2016 benefitted from a non-recurring structural improvement

- Reported operating cashflow in 2017 declines vs 2016
- Significant difference as a result of structural improvement in credit terms in 2016
- This windfall gain did not re-occur in 2017
- CAPEX per store in 2017 remains on par with 2016
- Future operating cashflow ratios will depend on level of investments and will vary with fluctuations to year-end balances

Source: Company information
1) Excluding capex for new DCs
Action enjoys negative structural working capital

- Total net working capital in Action is negative throughout the calendar year.
- Creditors are fully financing company inventories.
- The faster Action grows, the stronger the cash flow performance.

Source: Company information.
4. Strong economic model

- Low and centralised overheads
  - Buying
  - Supply Chain
  - IT
  - Finance

- Rigorous, uniform and tight financial governance
  - Daily performance tracking
  - CEO/CFO approve all new stores
  - One process for real estate

- Cost consciousness embedded in our organisation and a strong focus area for management

Source: Company information
Action continued to deliver strongly in 2017

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (€m)</td>
<td>3,418</td>
<td>2,675</td>
<td>+28%</td>
</tr>
<tr>
<td>Like-for-Like sales growth</td>
<td>5.3%</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>Operating EBITDA (€m)</td>
<td>387</td>
<td>310</td>
<td>+25%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>11.3%</td>
<td>11.6%</td>
<td></td>
</tr>
<tr>
<td>Number of stores</td>
<td>1,095</td>
<td>852</td>
<td>+243</td>
</tr>
</tbody>
</table>

Source: Company information
Action presents a compelling long-term growth opportunity

Sales development of selected peers after reaching $1bn in sales

Total sales in $ billion

Years after reaching $1 billion in sales

Source: Company information, Factset
Note: Dollar General acquired Family Dollar (July 2015);
a TJX figures from 1988 post sale of Zayre to Ames; sales start from $1.9bn
b Walmart data as of 1st of January 1985 - no data available prior to 1985
Thank you for your attention!