

# 3i Action Capital Markets Seminar

23 March 2023



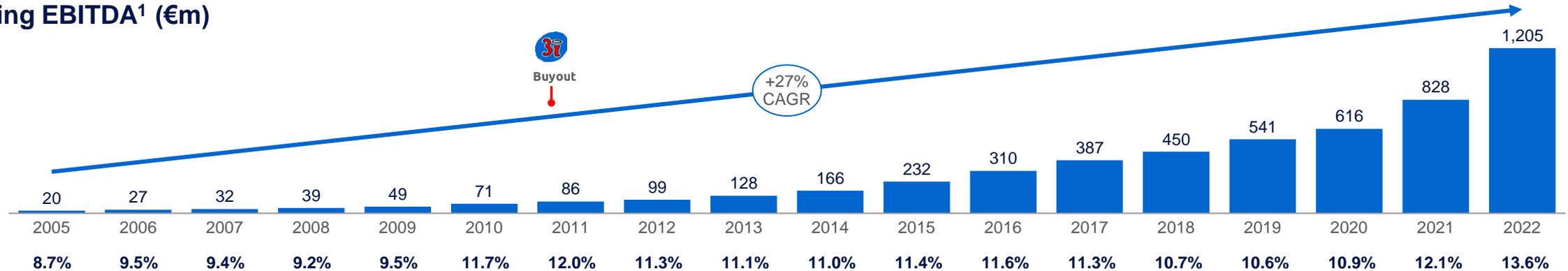
# Action's exceptional track record of strong sales and operating EBITDA growth continued in 2022



## Net sales<sup>1</sup> (€m)



## Operating EBITDA<sup>1</sup> (€m)

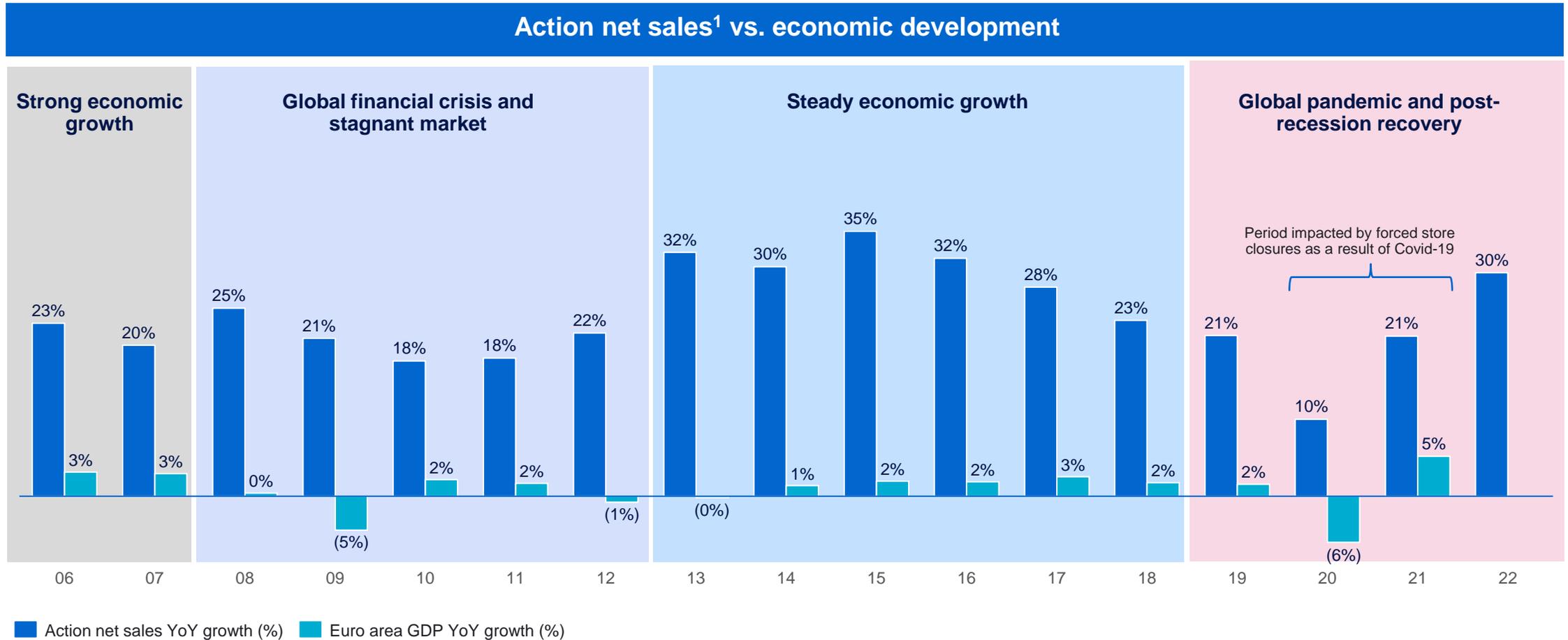


Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Margin	8.7%	9.5%	9.4%	9.2%	9.5%	11.7%	12.0%	11.3%	11.1%	11.0%	11.4%	11.6%	11.3%	10.7%	10.6%	10.9%	12.1%	13.6%

Strong and consistent growth in sales and EBITDA, with scale benefits manifesting

<sup>1</sup> Including impact of 53rd week.

# Action's growth has been exceptional and consistent through different periods of the economic cycle



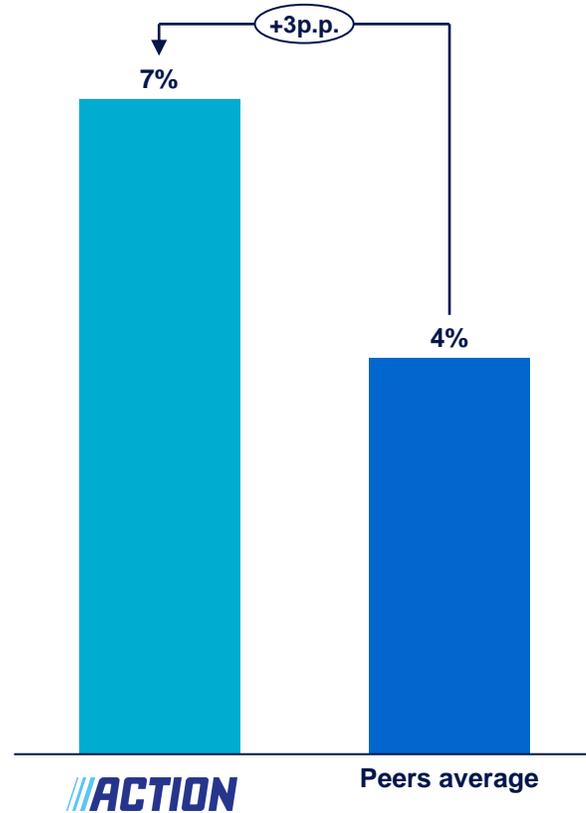
<sup>1</sup> Including impact of 53rd week.

# Action continues to outperform its peers

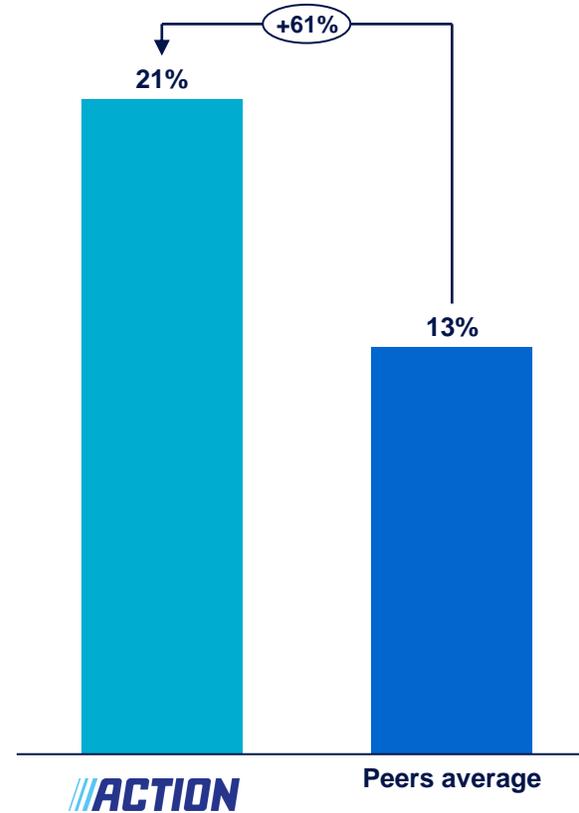
## Performance over last five years



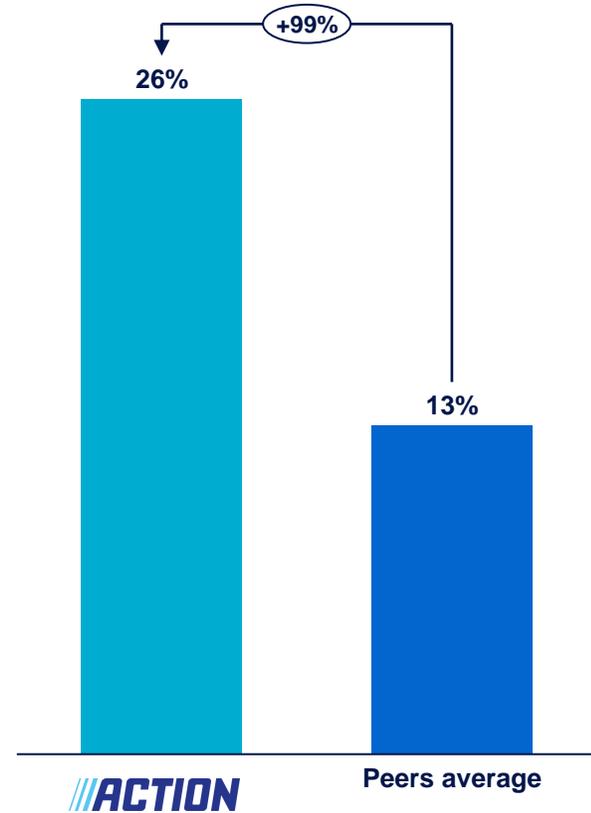
### LfL growth average



### Revenue CAGR



### EBITDA CAGR



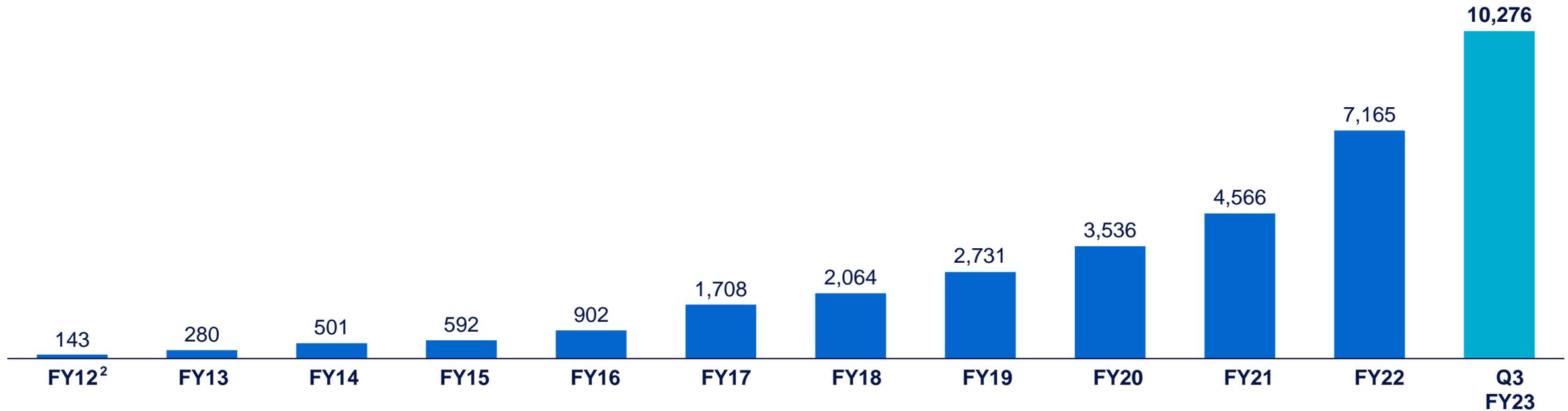
Action has outperformed its peers despite being disrupted by Covid-19

Source: CapIQ. Peers include B&M, Costco, Dollarama, Dollar General, Five Below, Grocery Outlet, Ollie's Bargain Outlet, PEPCO. Action refers to 5Y growth and average to 2022, peers refer to 5Y to latest available LTM.

# Exceptional performance drives value for 3i shareholders



## Action – 3i carrying value, £m<sup>1</sup>



Exceptional value growth and **~£1.7bn** cumulative distributions to 3i over the ownership period

Power of **compound growth** beginning to manifest

1 3i financial years.

2 3i invested £106m in Action alongside EFV and other co-investors in 2011.

# Today's presenters



**Hajir Hajji**  
Chief Executive Officer

- **Joined in September 1997**
- Fulfilled variety of management positions at Action
  - Commercial Director (2018 – 2021)
  - Director of Store Operations (2011 – 2018)
  - Head of Sales (2002-2011)
  - Regional Manager (1999-2002)
- As Commercial Director, responsible for global buying, marketing, e-commerce and sustainability
- Played pivotal role in rapid store expansion as Director of Store Operations



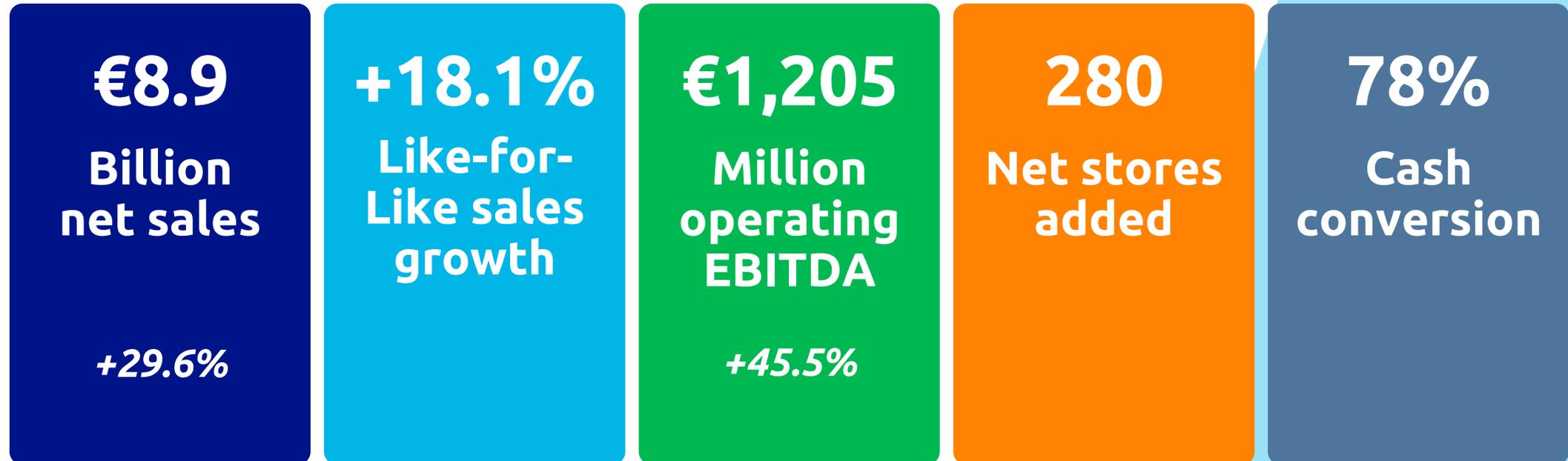
**Joost Sliepenbeek**  
Chief Financial Officer

- **Joined in November 2018**
- 20+ years of Consumer & Retail experience
- 35 years experience in finance, 23 years as CFO
  - CFO Vion Food Group (2015 – 2018)
  - CFO Van Ganswinkel (2013 – 2015)
  - CFO C1000 (2009 – 2012)
  - CFO HEMA (2007 – 2009)
  - CFO Albert Heijn (1999 – 2003)
  - Various positions at Ahold (1993 – 2007)

# Agenda

- |                                       |                          |
|---------------------------------------|--------------------------|
| <b>1. Introduction</b>                | <b>Simon Borrows</b>     |
| <b>2. Business performance update</b> | <b>Hajir Hajji</b>       |
| <b>3. Strategic update</b>            | <b>Hajir Hajji</b>       |
| <b>4. Financial performance 2022</b>  | <b>Joost Sliepenbeek</b> |
| <b>5. Trading update</b>              | <b>Joost Sliepenbeek</b> |
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# 2022 was another year of strong performance



# Key drivers contributing to our 2022 performance



High demand for discount



Relevant and strong offering



Continued expansion of our store base



Inflation management and cost control



Good availability in store



Dedication and flexibility of our team

# Action attracted a significant number of new and repeat customers



**Significant increase in transactions**



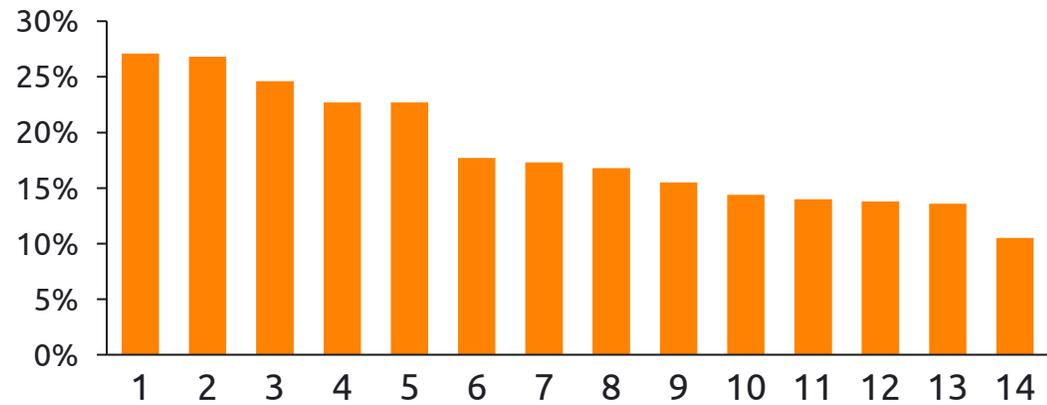
**Popularity of daily items at very low prices**



**Broad appeal across income and education groups**

# Sales grew across all categories

## Like-for-Like growth by category



## Our categories



Strong performance of FMCG categories due to the attractiveness of our essentials offering

# Improvements in our supply chain led to increased store availability

## External challenges

- Fluctuations in sea freight prices
- Inflation
- Covid-19 restrictions in Asia

## Managing disruptions

- Inventory levels and network capacity sufficient to cater for increased demand
- Improved planning capabilities
- Improved collaboration with our logistics partners

## Organisation and processes

- Senior management positions filled by experienced Action leaders

## Resulting in:

Improved store service levels

Good year-round availability of products

Strong performance in peak seasons

# Disciplined price and cost management allowed us to manage the impacts of inflation

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**Flexible assortment**



**Cost discipline**

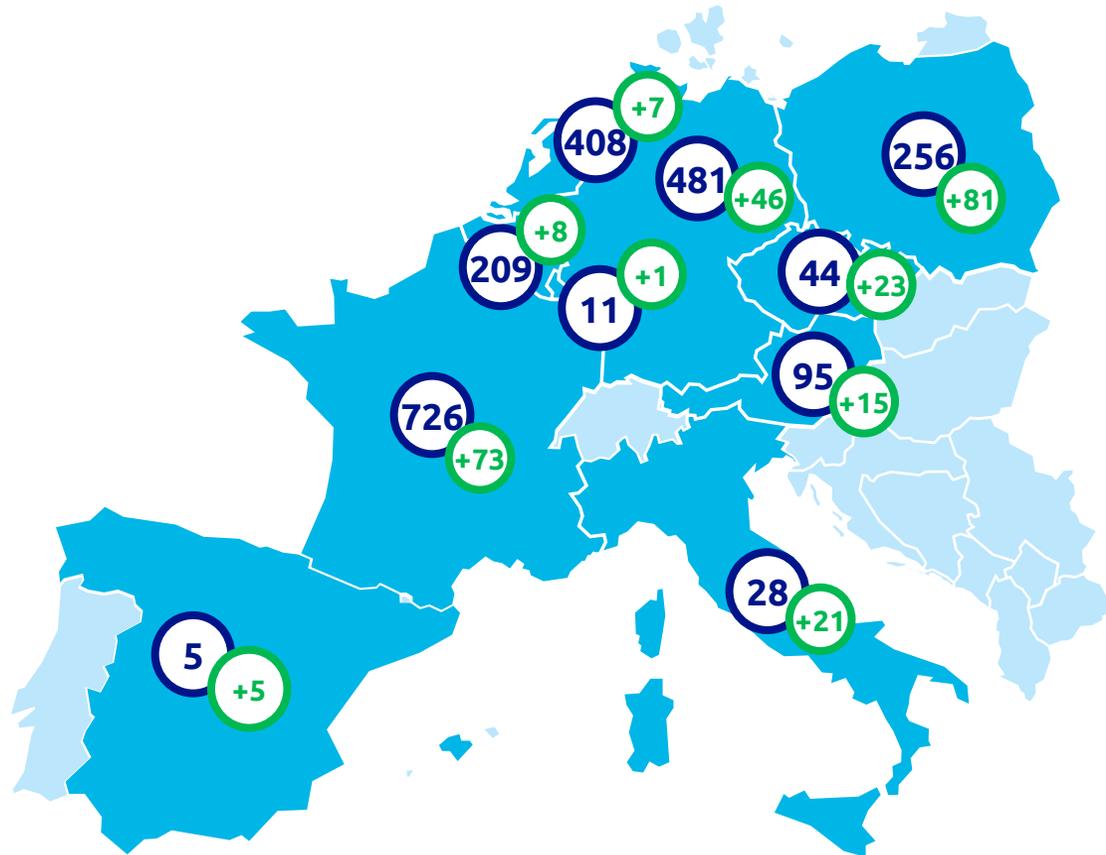


**Price advantage  
versus competition**



**Scale benefits  
shared with  
customers**

# We added 280 stores across Europe

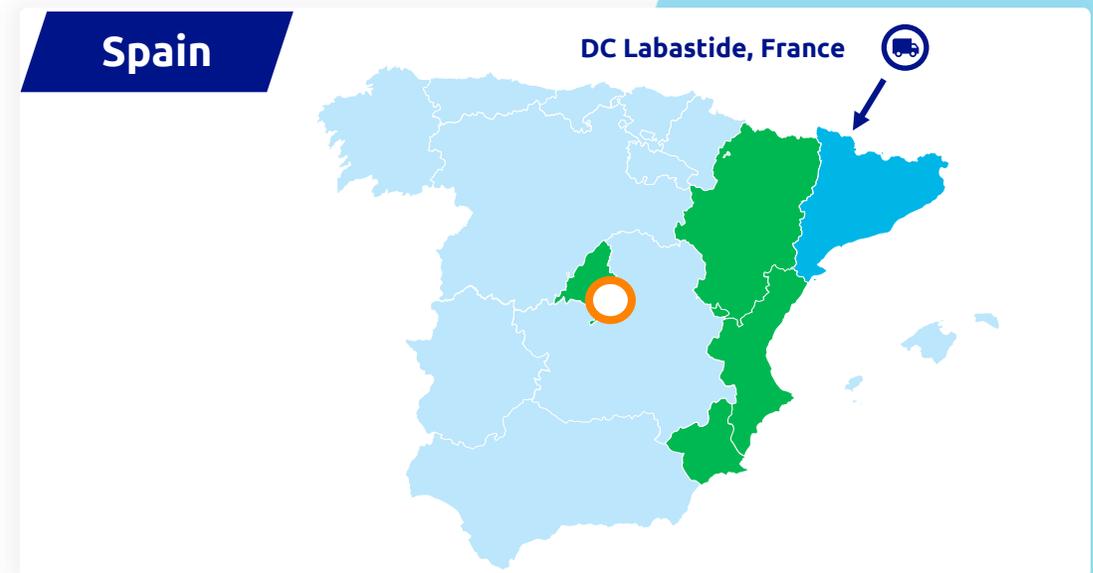
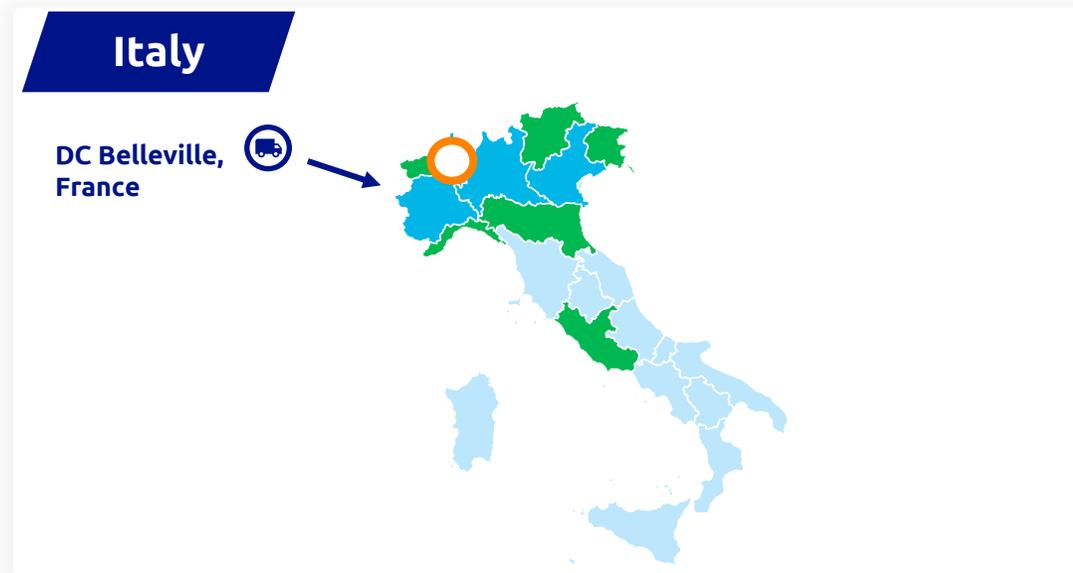


**2,263** stores at the end of 2022

**280 stores added in 2022<sup>1)</sup>**  
Record number of store openings in 2022

■ # of stores at the end of 2022  
■ Stores added in 2022

# Recently opened countries delivered a strong performance



- Results of pilots exceeding expectations
- Acceleration of expansion pace in both countries
- Full team in place in Italy. Building the team in Spain
- Planning to open distribution centres in Novara (near Milan) and Illescas (near Madrid)

- Presence at the end of 2022
- Search areas for 2023 openings
- Planned DCs

# We invest in our people and give back to society



## Our people

- 8,211 new jobs created
- We provide work to 80,000 people
- 136 nationalities



## Providing fair rewards

- Revision of reward packages, including wage increases



## Internal development

- 61,343 trainings completed
- Company-wide leadership training offered
- 2,667 internal promotions



## Supporting society

- Donation of €1m to UNICEF for Ukraine in addition to regular charitable giving
- Support by supply of goods, transport and storage facilities

# We made significant progress with our Action Sustainability Programme in 2022



100% supply chain transparency achieved in Private Label products



85% of our stores are now disconnected from gas



100% of Private Label packaging is recyclable (no PVC or black plastics)



40% reduction of scope 1 and 2 emissions in 2022 (baseline 2021)

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# Action's strategy remains simple and consistent

- I** Strengthen our unique customer value proposition
- II** Drive international geographic expansion
- III** Maintain a simple, efficient and scalable operating model
- IV** Make sustainability accessible
- V** Treasure our people and values

# Flexibility and simplicity enable scaling at low cost



**Big volume  
purchases**



**No fixed  
assortment**



**No high street  
locations**



**Efficient  
logistics**



**Simple business  
model**



**Standardised  
store processes**



**Low overhead  
costs**



**Low marketing  
expenditure**

# Action offers an assortment of 14 complementary categories

~6,000 items across 14 categories



SKUs per category range between ~100 and ~800

Brand types

A-brands



Supplier brands



Private Label



Strong Private Label offering

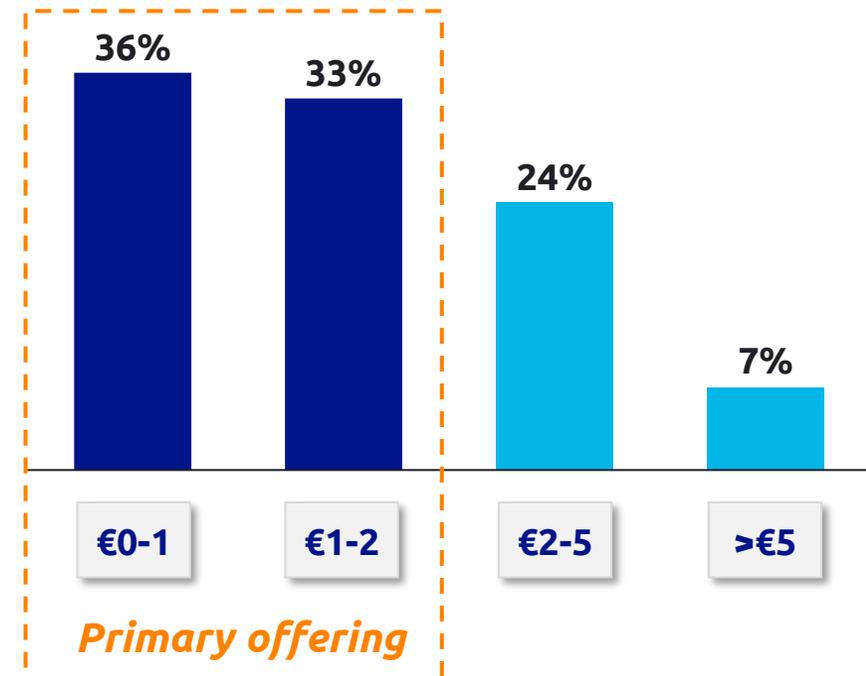
# Customers can find new products at every visit

## Surprising assortment

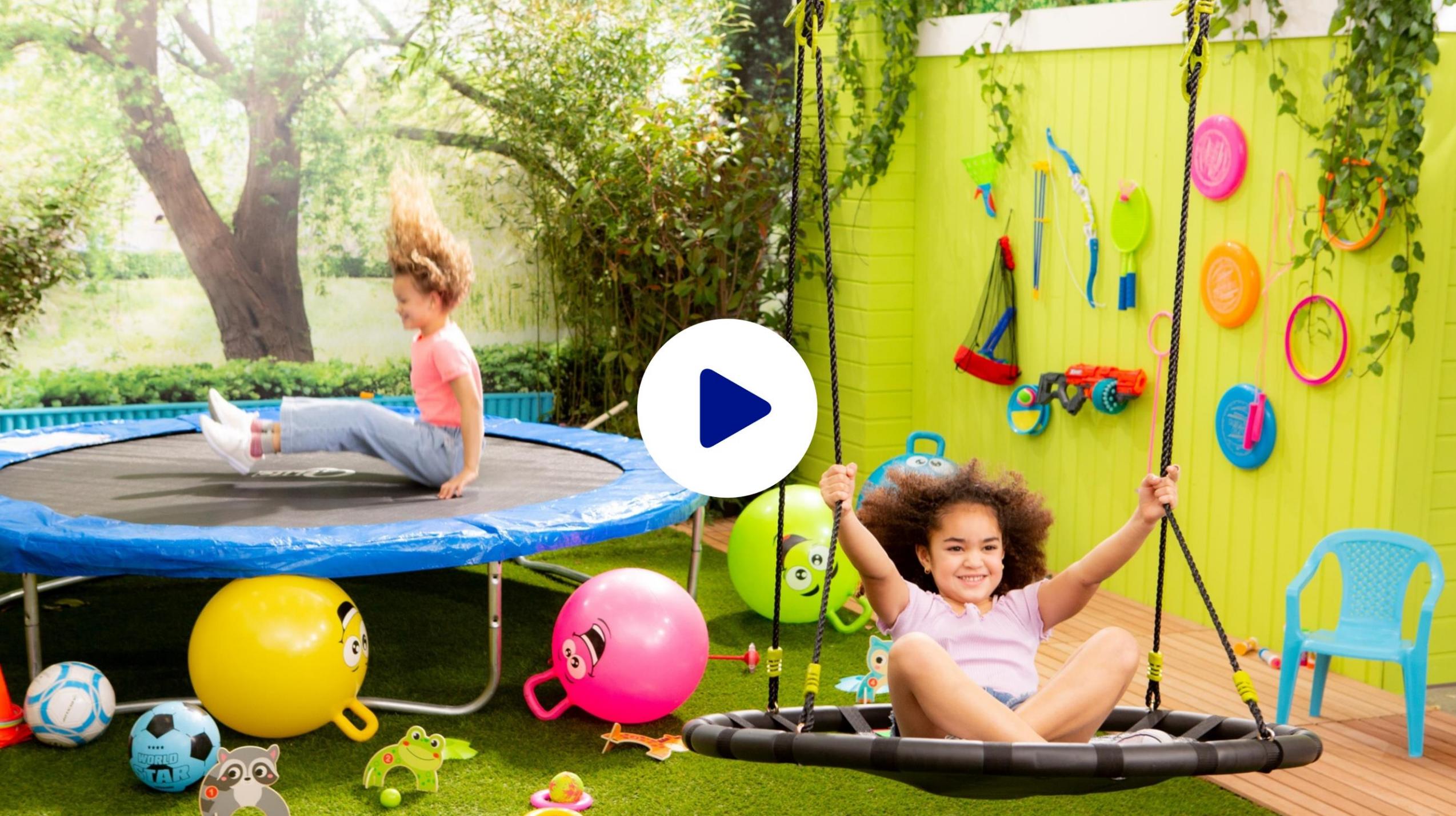


*150 new articles each week*

## Low price points<sup>1)</sup>

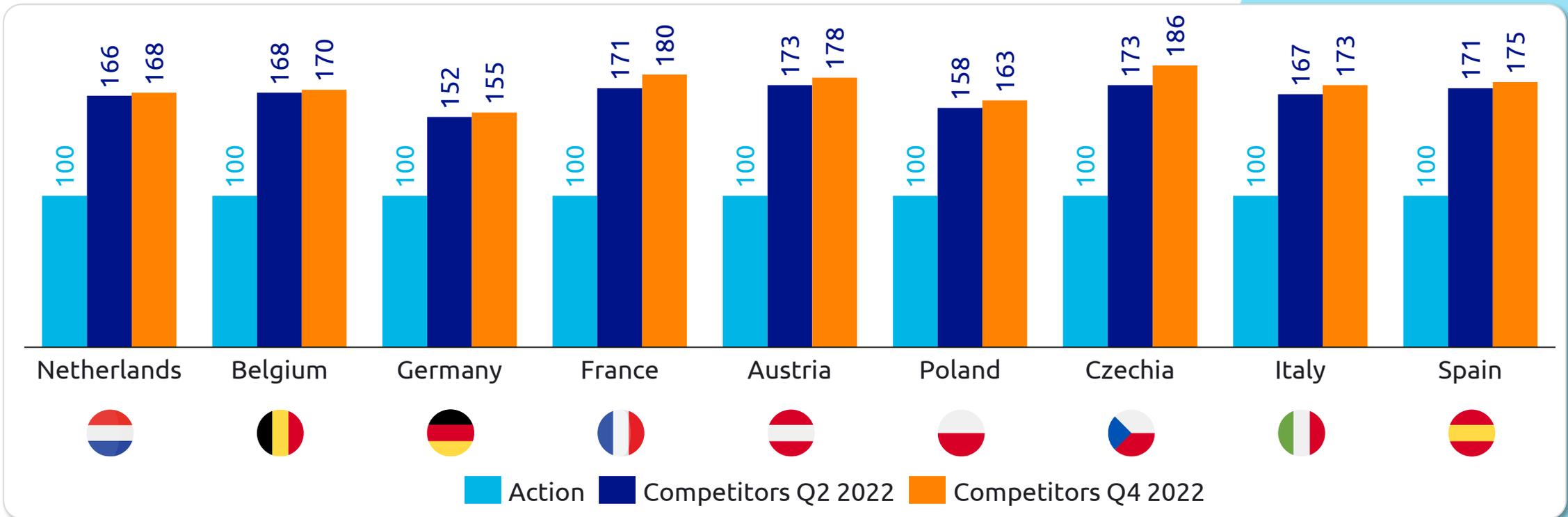


*Main focus on items below €2*



# We have improved our price position versus competitors

## Price index<sup>1)</sup> versus competitors by country



# We continuously improve on quality and sustainability

## Spargo – Wooden clothes pegs



48pcs

€0.99



- Upgraded spring mechanism and improved grip
- Made from FSC wood

## Zenova – Sunscreen



200ml

€4.79



- Best Buy 2021 – Consumer Association NL
- Microplastics free
- Reef friendly according to Hawaii, Aruba, Bonaire 2022 acts
- Minimum 50% recycled plastic in bottle

**Our large volumes, simple and efficient processes and cost consciousness enable us to offer quality and sustainability at unbeatable prices**

# Investments in our Private Label offering result in award winning products

## Max&More – Mascara



11ml

€1.39



- "Best buy" award in Belgium
- Improved formula and brush design
- Vegan formula

## Superfinn – Dishwasher tablets



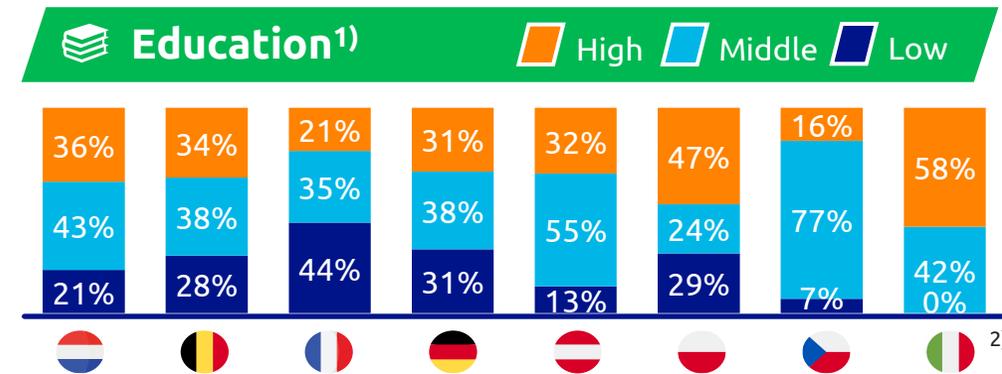
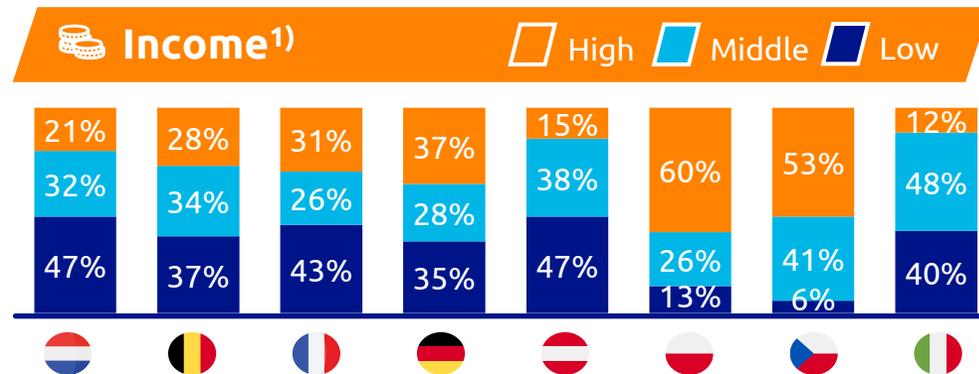
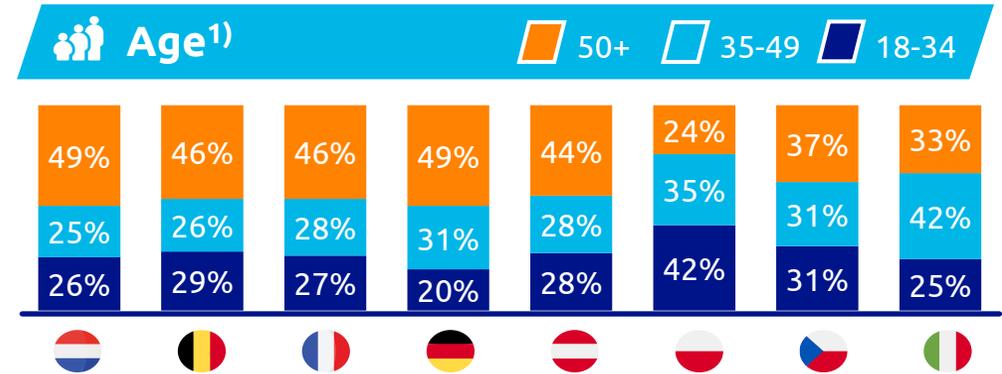
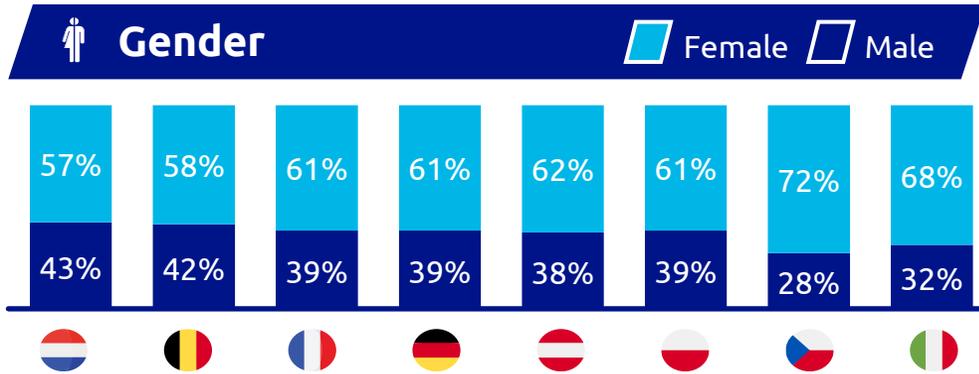
44pcs

€3.33

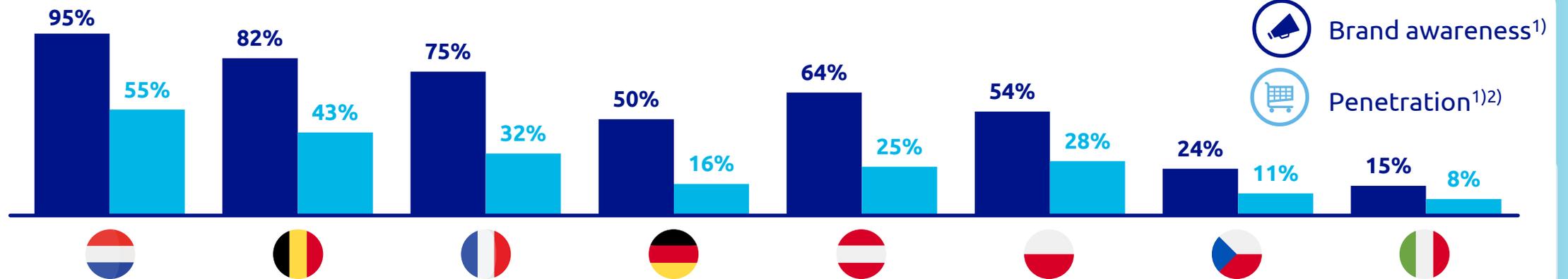


- Best product of the year 2022-2023 in Belgium
- Improved formula for better performance
- Positive benchmarking results in comparison to A-Brands & major competitors

# Action's brand and formula appeal to everyone



# Action's loyal customer base spreads the word



## Selection of prizes awarded by customers in 2022

**France**  
Third most loved brand



**Poland**  
Most loved non-food retailer



**Best department store awards won in several countries**



# Our sourcing mix is essential to our customer proposition



## A-brands

- Drive quality perception and traffic



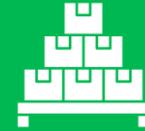
## Importers and wholesalers

- Essential to customer proposition for newness and seasonal items
- Strong flexibility in terms of stockholding position



## Direct sourcing

- Enable low price and newness proposition
- Direct control of full sourcing process
- Strong flexibility at supplier level



## Stocklot trader

- Essential for low price and treasure hunt experience

# We are diversifying our sourcing from Asia and growing proximity sourcing

## Geographical diversification in Asia



- Continue our existing growth strategy for direct sourcing from Asia
- Focus on geographical diversification

## Increasing proximity sourcing



- Increasing proximity sourcing to enable sustainability ambitions and to secure commercial opportunities
- Poland and Turkey identified as high potential markets

● Key current and future source markets

# We continue to invest in our touchpoints to drive store traffic

- Interactions and customer data is bundled to create richer customer profiles
- Objective is to generate store sales triggered by 'research online, purchase offline' (ROPO)
- App has been rolled out to three more countries: Spain, France and Belgium
- E-commerce flash deal proposition performing according expectations<sup>1)</sup>



# Our growing online reach helps us to attract millions of customers to our stores every week

## Action social media



**2.1m**  
Instagram followers



**2.75m**  
Facebook fans

## Website, E-mail



**6.5m**  
Weekly website visits<sup>1)</sup>



**19.5bln**  
Online product impressions



**6.2m**  
E-mail subscribers

## Website, App



**2.1m** **+413%**  
App downloads  
in 4 countries



**3.3m** **+420%**  
MyAction account

2022 vs 2021 %

# We always improve our stores to benefit our customers and employees

## Improved shopping experience

- Further roll-out of 2.0 format
- Investments in refurbishments, enlargements and relocations
- New shopping trolley

## Sustainability efforts

- Use of recycled material in our stores
- 95% of our stores have energy efficient LED lights

## Investments in proven technologies

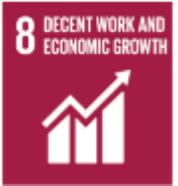
- Roll-out of new handheld terminal
- Standardisation and simplification of store processes



**Simplicity and standardisation in our store format**

# The Action Sustainability Programme is guided by the UN Sustainable Development Goals

  
**People**

  
**8 DECENT WORK AND ECONOMIC GROWTH**

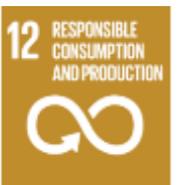
  
**SUSTAINABLE DEVELOPMENT GOALS**

  
**Planet**

  
**13 CLIMATE ACTION**

  
**7 AFFORDABLE AND CLEAN ENERGY**

  
**Product**

  
**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

  
**8 DECENT WORK AND ECONOMIC GROWTH**

  
**Partnership**

  
**4 QUALITY EDUCATION**

  
**17 PARTNERSHIPS FOR THE GOALS**

# Action invests in the development of employees and partnerships in society

## People – *We have employees who are proud to work for Action*

### Our commitments



We focus on increasing diversity in senior positions



Our employees act as ambassadors as measured in a net promoter score higher than retail benchmark



We foster the development and internal promotions of employees



Proud and engaged employees

## Partnerships – *We act as a responsible partner to society and communities*

### Our commitments



We support children in need via partnerships and programmes



We support local community initiatives through involvement and donations



We partner with global organisations including UNICEF, Red Cross, People for People, SOS Children and the Cruyff Foundation

## Support of children in need through partnerships



# Action is reducing its impact on the environment to ensure responsible future growth

## Planet – *We commit to reducing our emissions*

### Our commitments

-  Reduce emissions from our own operations by 60% by 2030 (baseline 2021)
-  Zero gas in stores by the end of 2024
-  Reduce energy consumption in our stores by 15% per square metre by 2024 (baseline 2021)



Pilot started in 2023 with electric trucks and implementation of alternative fuels

## Product – *We source our products responsibly*

### Our commitments

-  100% sustainable cotton by 2023 and timber by 2024
-  100% recyclable packaging by 2025, excluding A-brands
-  100% private and white label supply chain transparency in 2025



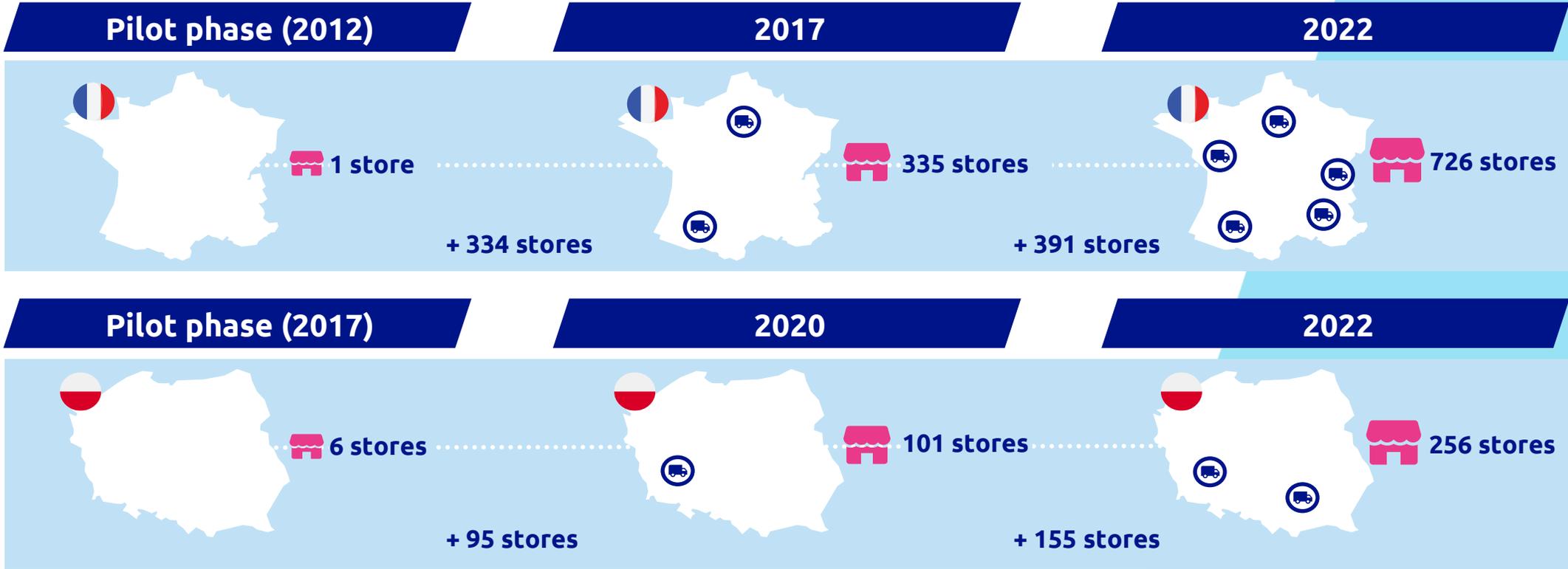
92% of timber and 90% of cotton were sourced sustainably in 2022

# We are building our distribution network further to support our growth

- Existing DCs
- Planned DCs
- Hubs



# Action's track record of successful expansion is illustrated by our growth in France and Poland



 **Distribution centre**



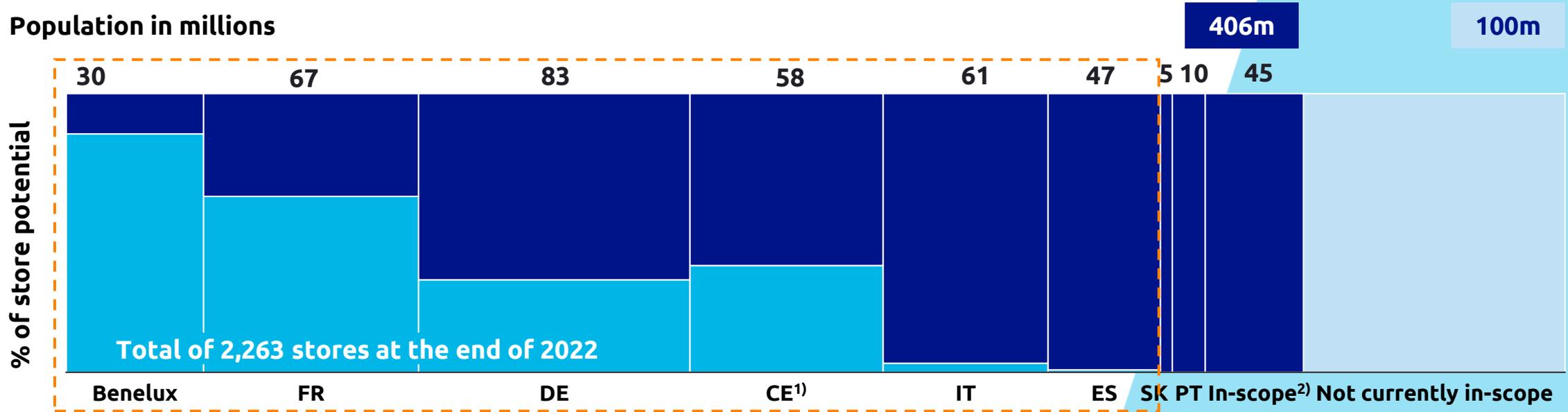
Includes the DC in Ensuès-la-Redonne (France), which opened in January 2023

# Current markets include a number of growth engines

Entry year		# stores end of 2022
1993	Netherlands 	408
2005	Belgium 	209
2009	Germany 	481
2012	France 	726
2015	Austria 	95
2015	Luxembourg 	11
2017	Poland 	256
2020	Czechia 	44
2021	Italy 	28
2022	Spain 	5
	<b>Slovakia</b> 	<b>March 2023</b>
	Portugal 	2024

**2,263**  
stores at the end of 2022

# Both existing and new markets show significant further growth opportunities across Europe



Current estimate of white space store potential in existing and identified in-scope<sup>2)</sup> countries is ~4,400 stores

 % of current store potential filled

 Action existing markets

# Agenda

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# Our repeatable financial model remains unchanged

1

**Clear value drivers**

- New store roll-out and country expansion
- LfL sales growth
- EBITDA margin

2

**Superior store economics**

- Low SKU count
- Consistent gross margin across categories
- All stores are profitable<sup>1)</sup>
- High sales density

3

**Excellent cash generation**

- Low capital intensity
- Negative working capital
- Fast payback

4

**Strong economic model**

- Proven
- Consistent
- Predictable
- Robust

Delivered with discipline and tight control

# Financial performance was again strong in 2022

The reason is simple...

One single and successful format

Proven to travel across borders

First class store opening teams and processes

Significant white space opportunity

... and the economics are extremely attractive

1 1 year average historical payback on new store CAPEX

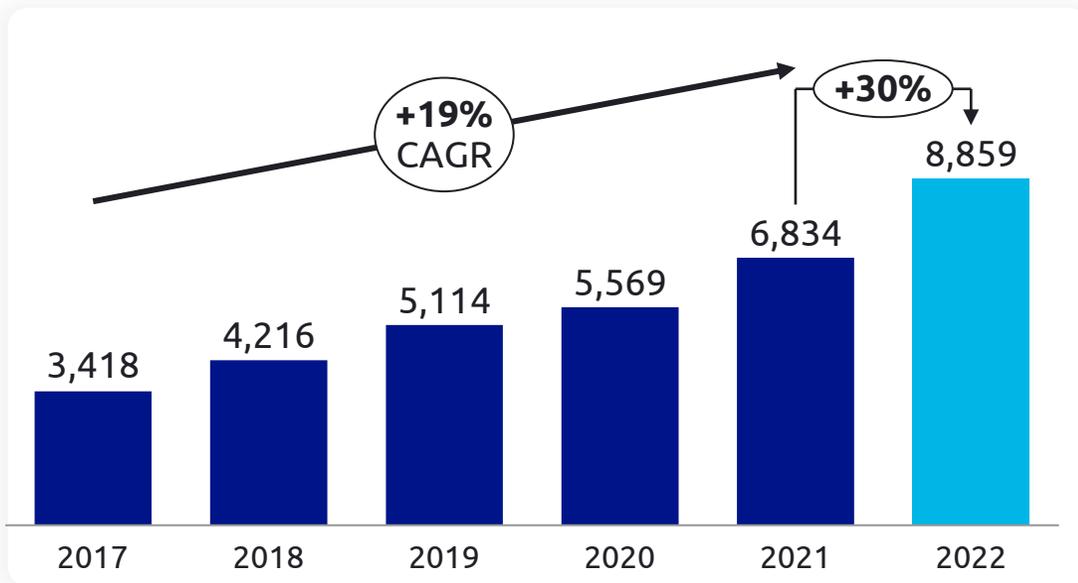
2 All stores are profitable<sup>1)</sup>

3 Store expansion self-funding

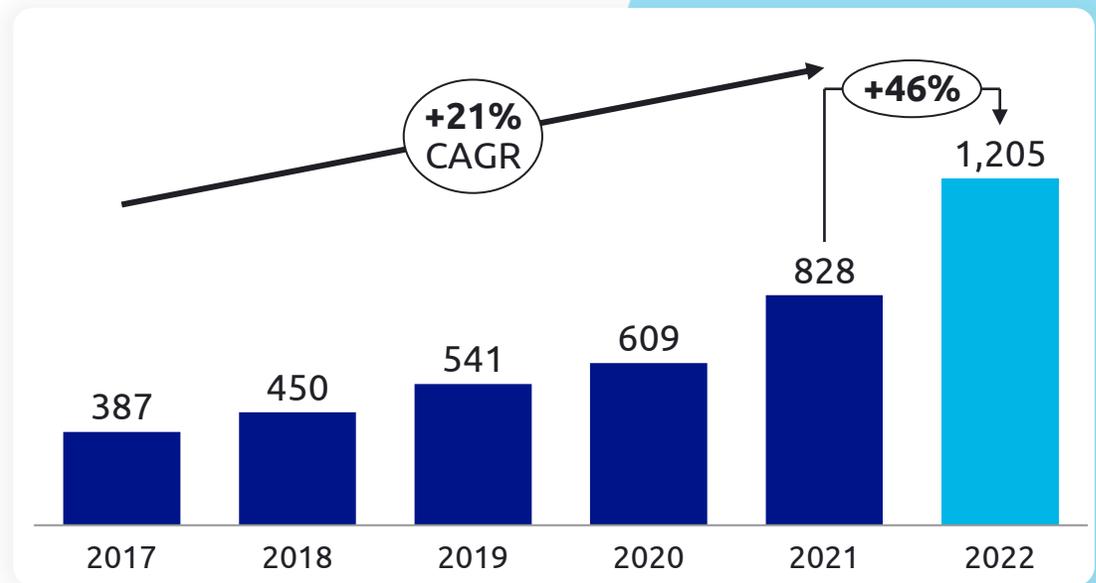
4 Increasing operating leverage through size and scale

# Sales and EBITDA growth accelerated in 2022

## Net sales (€m)



## Operating EBITDA (€m)



## Operating EBITDA margin (%)

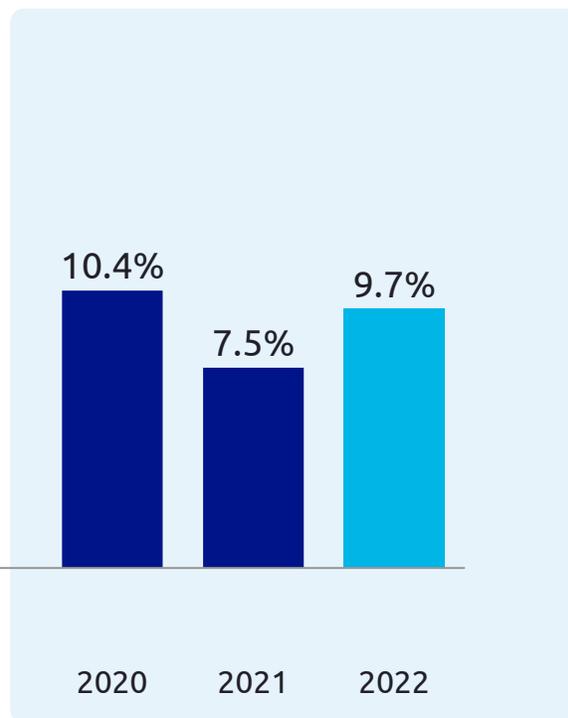


# Full year reported LfL impacted by lockdowns in 2021

## Reported



## Normalised



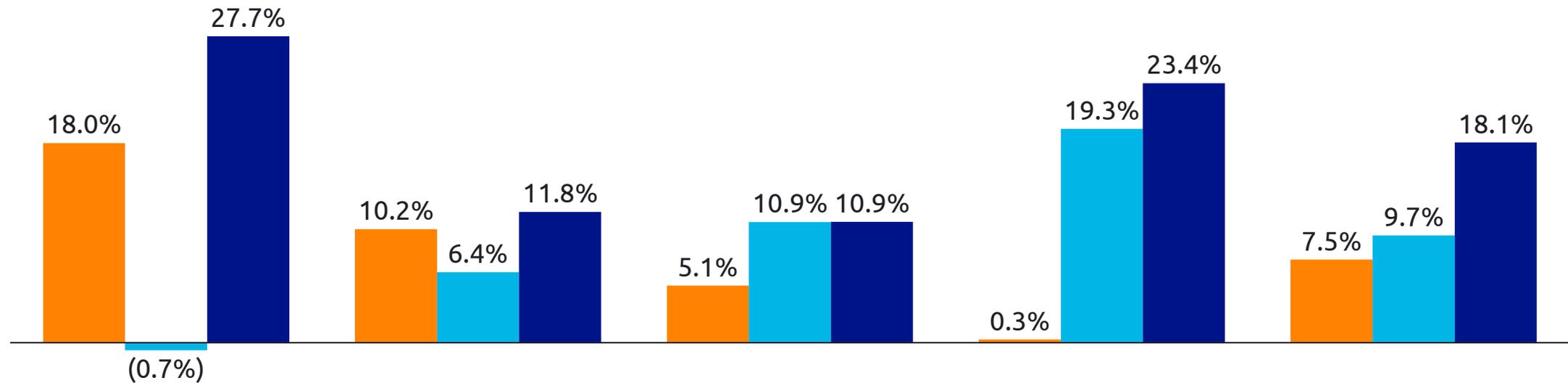
■ Annual LfL % growth

### Methodology for normalisations:

- Applied in 2020 and 2021 for countries where we were forced to close stores and/or remained open with limited assortment
- Significant impact in 2021 in several countries. Weeks impacted by restrictions were 1-22 and 47-52
- We also normalised in 2020 and 2021 for reopening effects in the three weeks following re-opening
- Impact in 2022 limited, we were only forced to close stores in week 1-2 in the Netherlands. Therefore no normalisations applied on 2022 sales

■ A LfL calculated for stores open with full assortment only would be 13.1% in 2020, 9.0% in 2021 and 9.7% in 2022

# Normalised 2022 LfL 9.7% versus 18.1% reported



Q1

Restrictions in NL and vaccination entrance checks in DE/AT in the first weeks of 2022

Q2

All stores open selling full assortment in 2022. In 2021, re-opening as of P5

Q3

Strong growth in number of customers in 2022

Q4

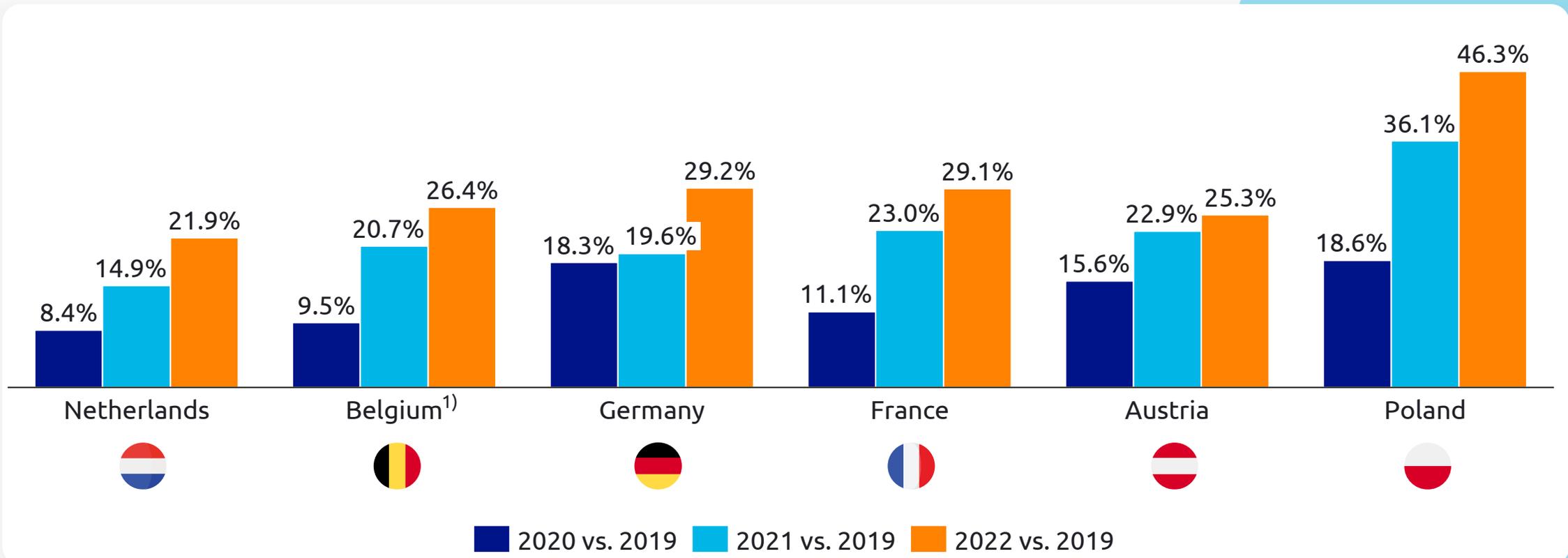
Strong seasonal sales performance and significant step up in FMCG in 2022

FY

■ Normalised 2021 
 ■ Normalised 2022 
 ■ Reported 2022

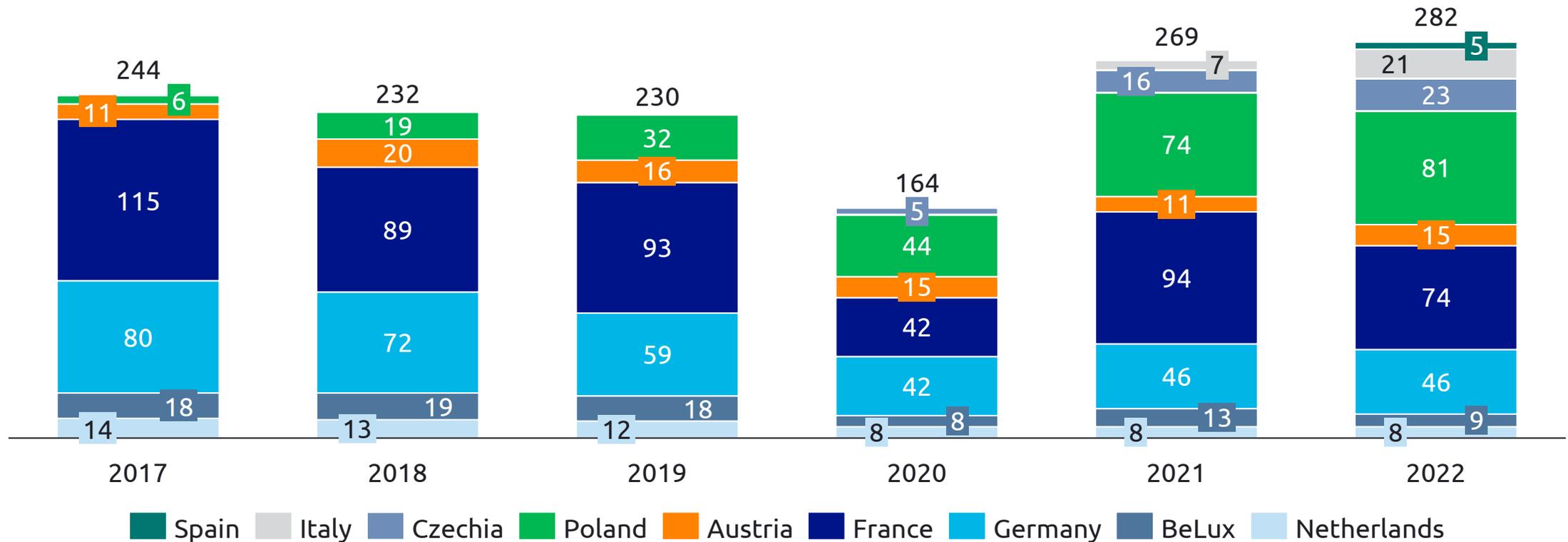
# Strong sales growth in all countries

Sales growth by country – stores opened before 2019 and only for periods opened with full assortment



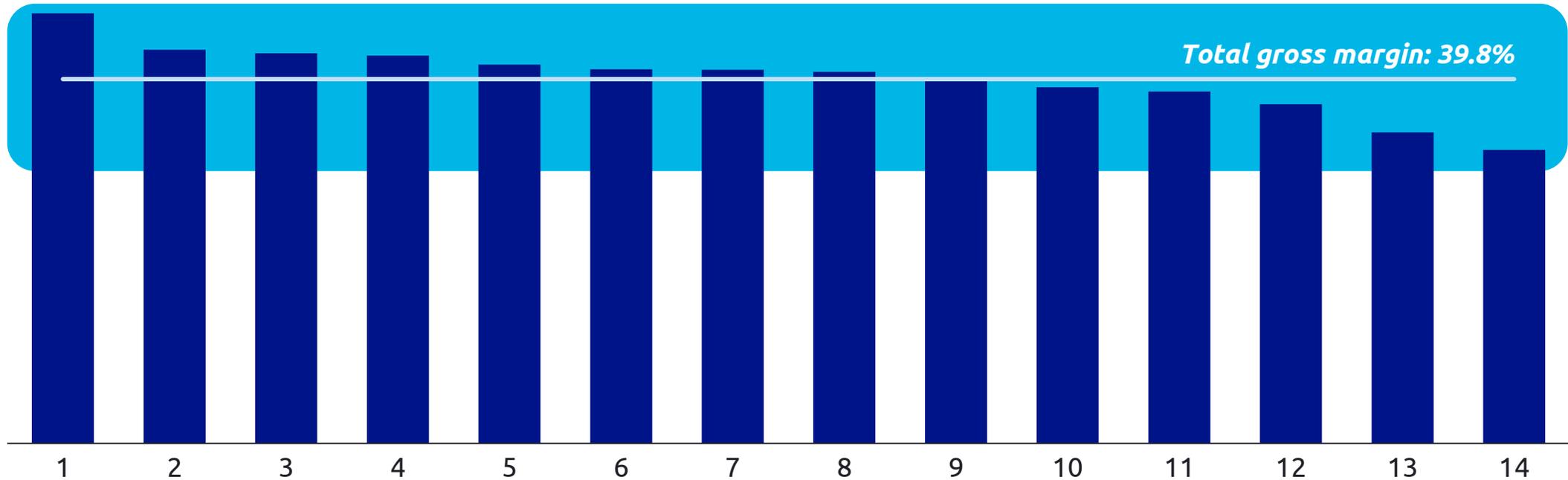
# Store openings: another record year

## Store opening development by country<sup>1)</sup>



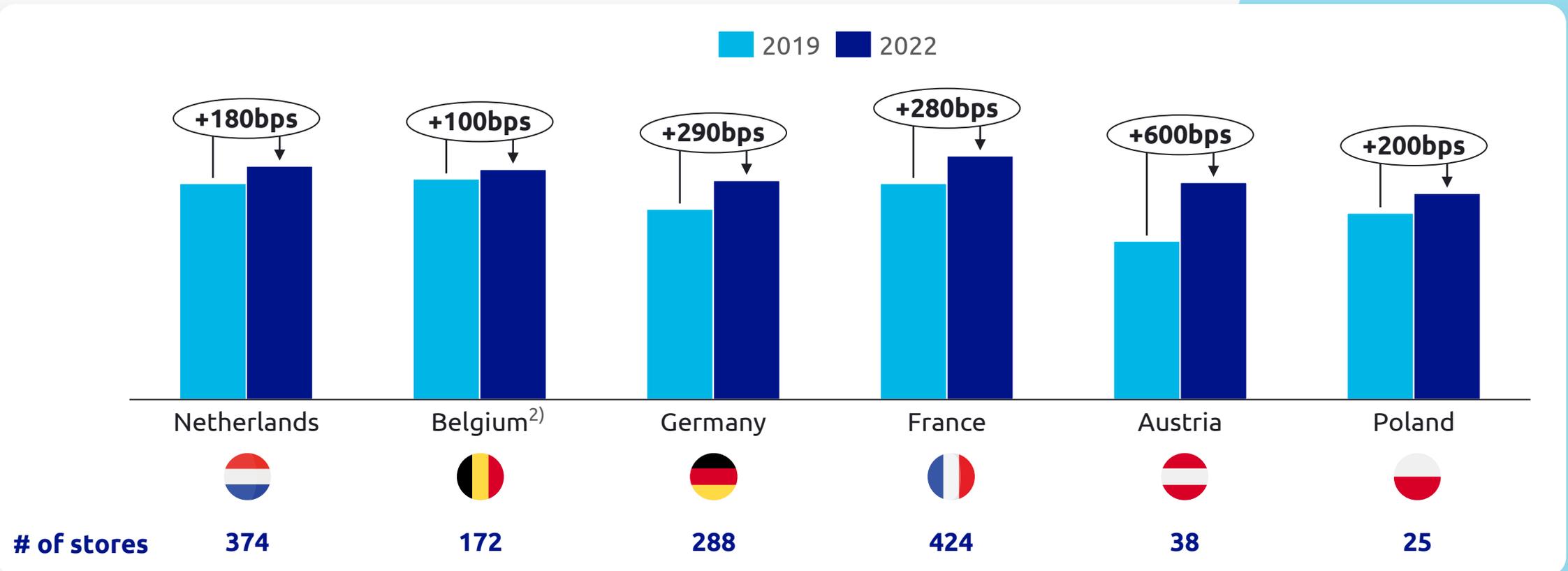
# Consistent margins across all categories

Gross margin by category (%) – 2022



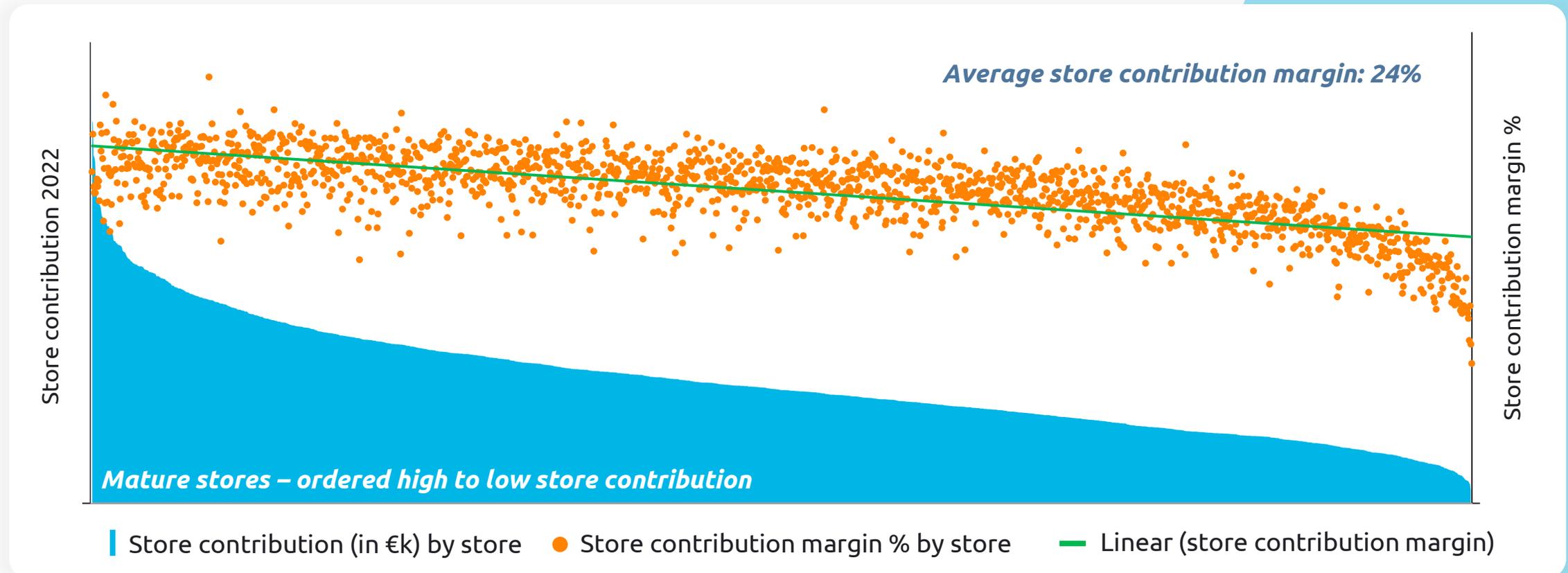
# Good operating leverage in all countries

Store contribution margin<sup>1)</sup> 2022 versus 2019 (based on stores opened before 2019)



# All stores opened before 2021 are profitable

Store contribution (€k) and store contribution margins (%)<sup>1)2)</sup>

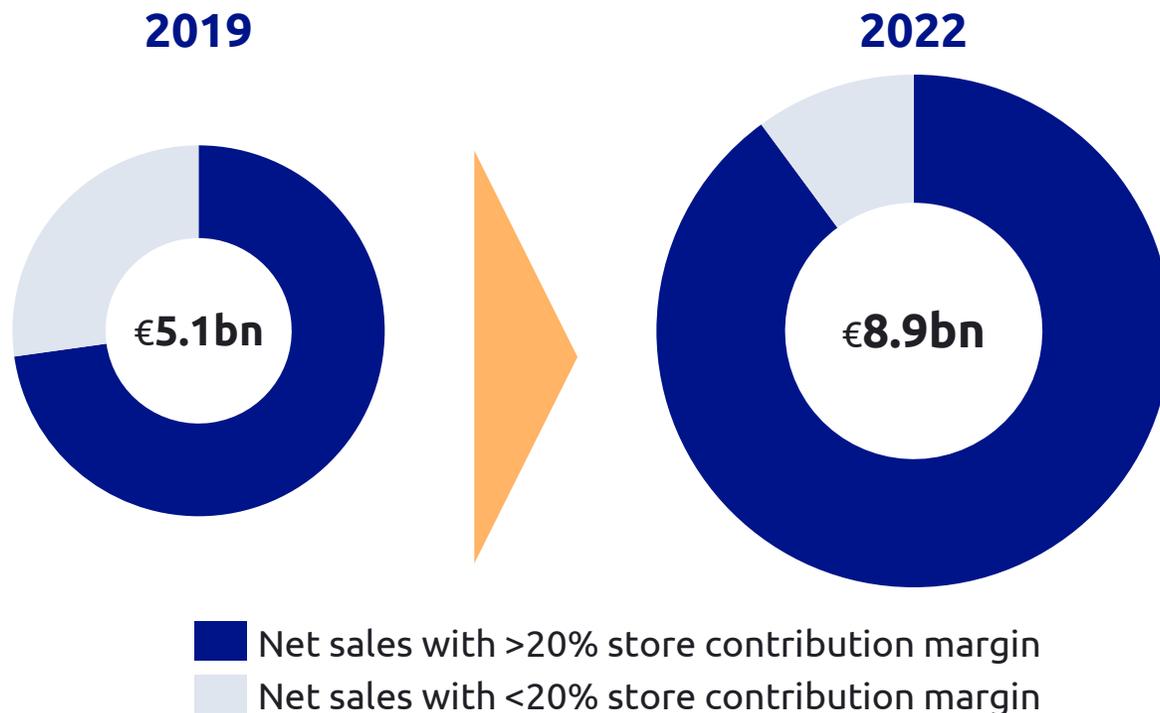


1) Calculated using mature stores, which are all stores opened before 1-1-2021

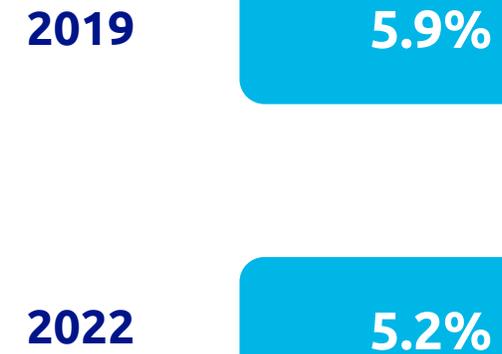
2) Store contribution = adjusted gross margin less direct operating expenses (e.g. personnel, rent, other housing costs and general expenses), excluding supply chain and central HQ costs

# Scale effects increasingly benefit margins

## Proportion of sales with store contribution margin<sup>1)</sup> >20%

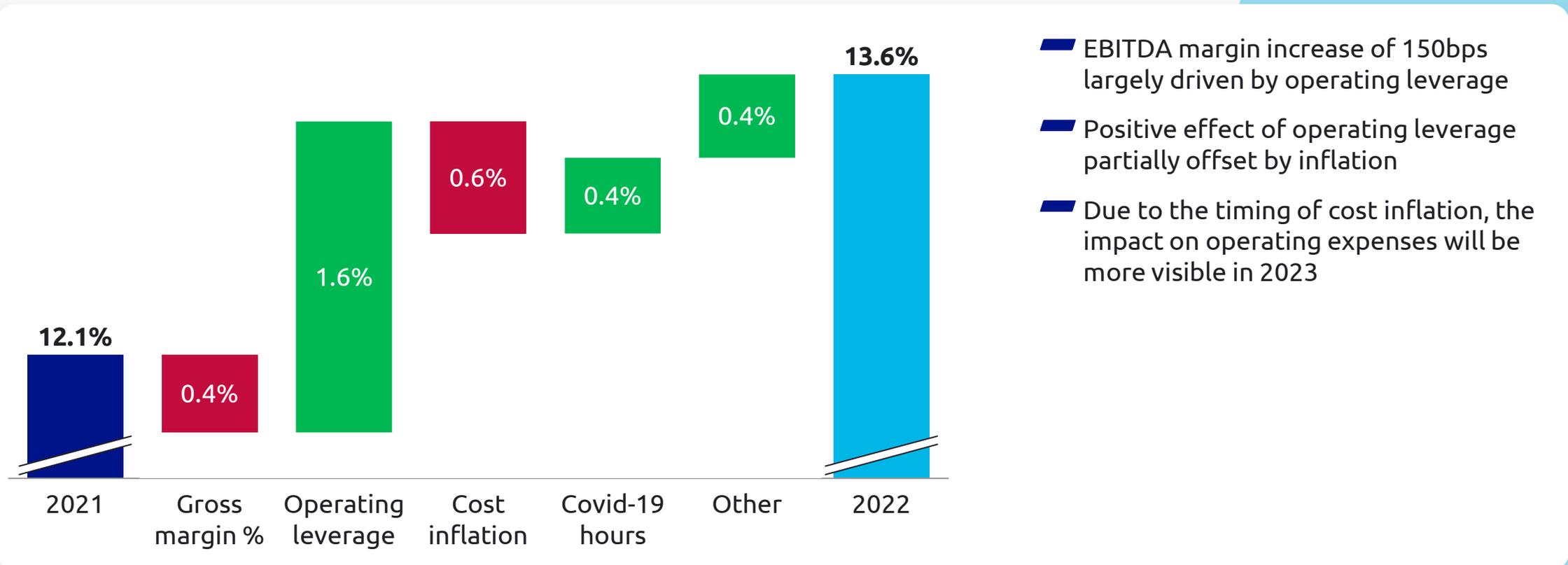


## Supply chain costs as % of net sales



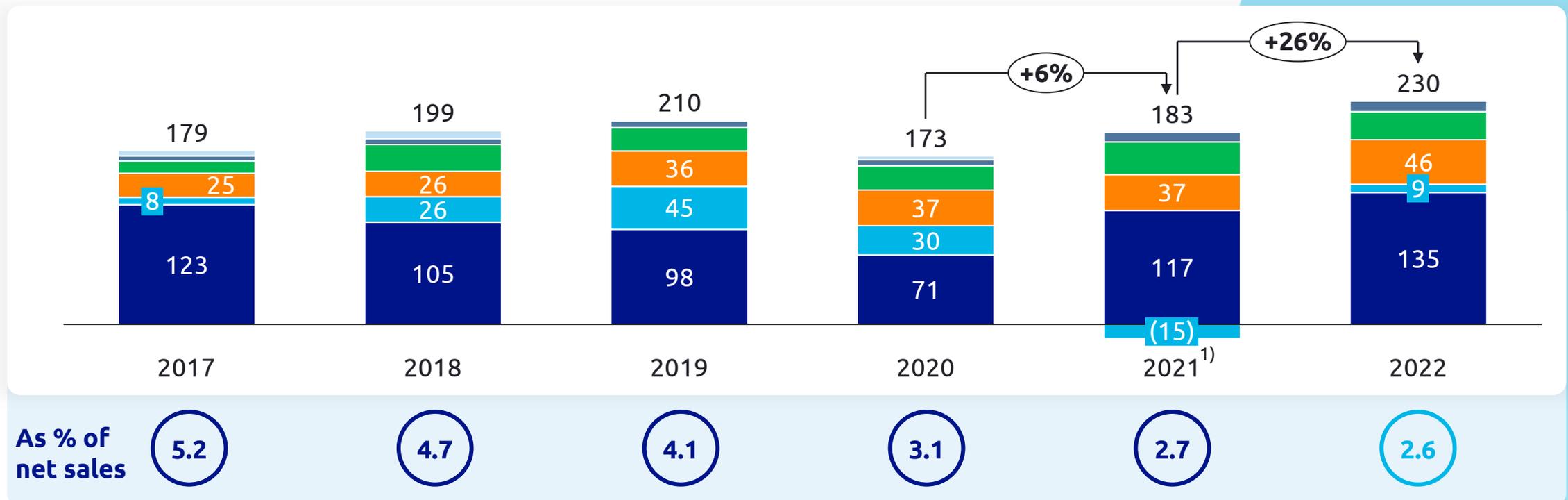
# EBITDA margin improved mainly as a result of operating leverage

## EBITDA margin development



# Continued investment in our expansion

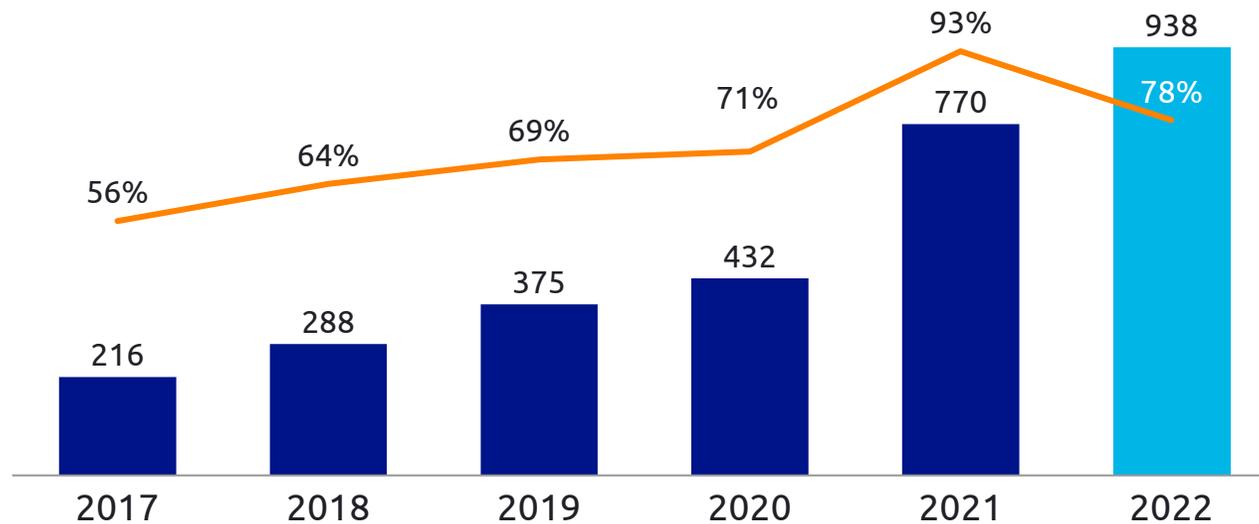
## CAPEX development (€m)



■ Store expansion 
 ■ New DCs 
 ■ Technology 
 ■ Store maintenance / RERs<sup>2)</sup>
■ DC maintenance 
 ■ Other

# Strong cash flow: 2022 cash conversion of 78%

## Cash conversion



- Action has low capital intensity, negative working capital and fast payback for new stores, which leads to strong cash flows
- Cash and cash equivalents at the end of FY 2022 was €697m

As % of net sales

6.3

6.8

7.3

7.8

11.3

10.6

■ Operating cash flow (including CAPEX for new DCs) — Cash conversion = operating cash flow / operating EBITDA

# Overview of high-level financials

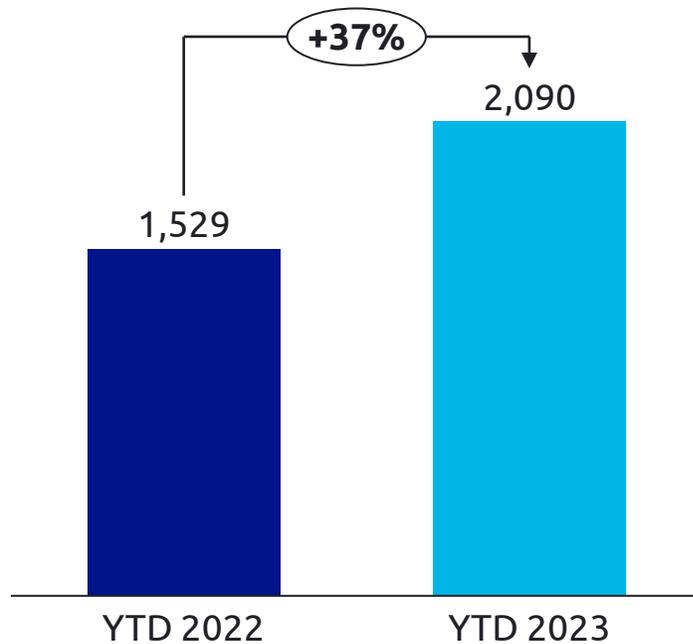
	2020	2021	2022	Change (vs 2021)
<b>Net sales (€m)</b>	5,569	6,834	8,859	+29.6%
<b>LfL sales growth (reported)</b>	(1.4%)	11.0%	18.1%	
<b>Operating EBITDA (€m)</b>	609	828	1,205	+45.5%
<b>EBITDA margin</b>	10.9%	12.1%	13.6%	
<b>Cash conversion<sup>1)</sup></b>	71%	93%	78%	
<b>Number of stores (end of year)</b>	1,716	1,983	2,263	+280
<b>Leverage (SFA definition)<sup>2)</sup></b>	3.6x	2.4x	1.7x	

# Agenda

- |                                       |                          |
|---------------------------------------|--------------------------|
| <b>1. Introduction</b>                | <b>Simon Borrows</b>     |
| <b>2. Business performance update</b> | <b>Hajir Hajji</b>       |
| <b>3. Strategic update</b>            | <b>Hajir Hajji</b>       |
| <b>4. Financial performance 2022</b>  | <b>Joost Sliepenbeek</b> |
| <b>5. Trading update</b>              | <b>Joost Sliepenbeek</b> |
| <b>6. Wrap up</b>                     | <b>Simon Borrows</b>     |

# Current trading 2023: very strong start of the year

## Net sales to week 11 (€m)



- Sales growth of 37% versus same period in 2022
- LfL sales for the first 11 weeks of 2023 24.8%
- 2023 store expansion plan on track with 23 stores added year-to-date
- Cash and cash equivalents at €802m<sup>1)</sup>

# Agenda

- |                                       |                          |
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| <b>3. Strategic update</b>            | <b>Hajir Hajji</b>       |
| <b>4. Financial performance 2022</b>  | <b>Joost Sliepenbeek</b> |
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# Action has outperformed its 2019 business plan

## Net sales<sup>1</sup>, €bn



## Operating EBITDA<sup>1</sup>, €m



■ Actuals   ■ 2019 Business Plan

4Y actual

2.1x

5Y target  
(2019 plan)

2.1x

2.7x

>2x

<sup>1</sup> Including impact of 53rd week.

# Continued strong growth trajectory over the next 4 years



## Targets for the next 4 years

Store openings<sup>1</sup>

1,300

1,400

Average Like-for-Like

Mid  
single digits

High  
single digits

## Last 4 years delivery

938

8.3%

## Targets for the next 4 years

EBITDA margin<sup>1</sup>

Priority to share scale economies  
with customers  
~40bps margin expansion

## 2022 actual

13.6%

Low

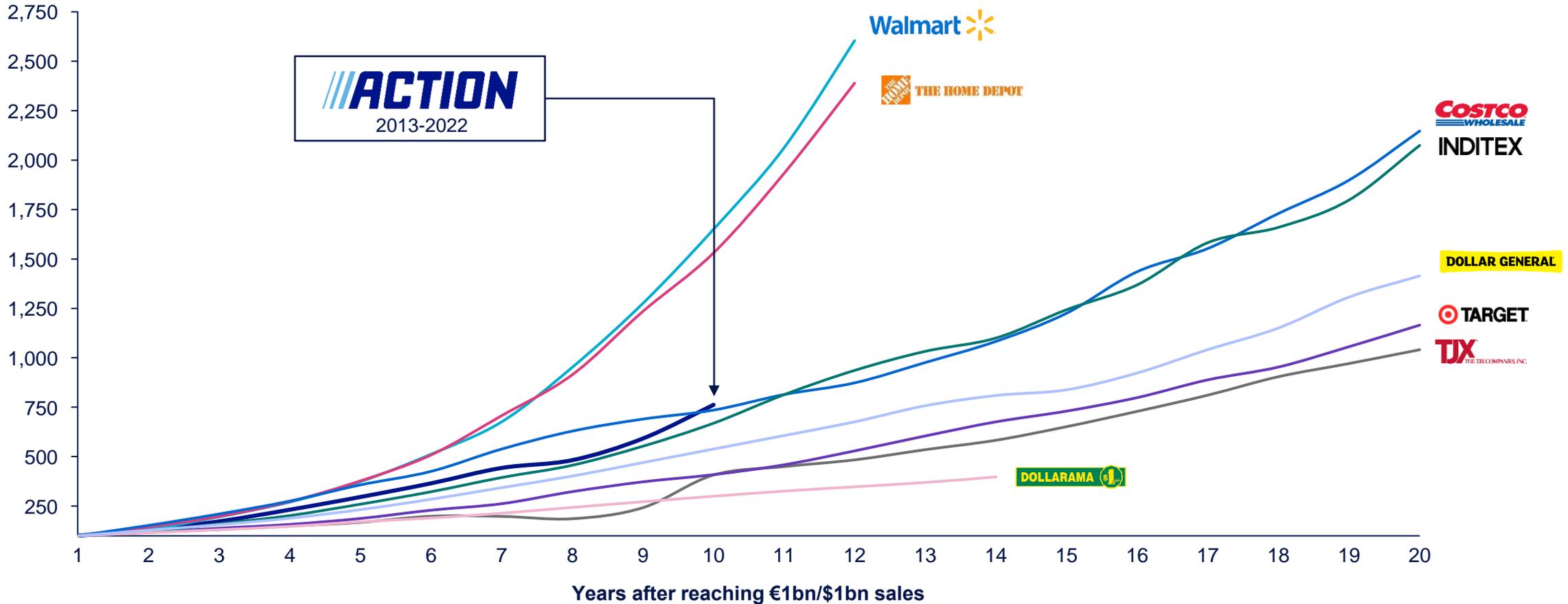
High

<sup>1</sup> Cumulative over 4 years.

# Action continues to perform in line with best-in-class retailers, with a long growth runway ahead



Top-line growth since €1bn/\$1bn sales (20 years window, rebased to 100)



Source: CapIQ.

Costco and Target start from \$2bn+ revenue due to data availability. TJX starts from the oldest available revenue information (FY1988/CY1987).

3i provides long-term capital backing and strong governance



## Governance



3i provides active and responsible governance with a focus on the ASR agenda

## Long-term vision



3i brings an ambitious, growth-orientated long term mindset to Action

## Investment



Prioritisation of investment in Action's infrastructure continues to drive value creation for all stakeholders

## Values



3i leadership protects and supports Action's customer values and culture



**ACTION**

**Thank you**

**For your attention!**

# Appendix: impact of IFRS16 on Action 2022 financials

## Income statement<sup>1)</sup>

In €m	Excluding IFRS 16	Including IFRS 16	IFRS 16 impact
Operating EBITDA	1,205	1,465	+260
Adjusting items	(21)	(21)	-
Depreciation and amortisation	(185)	(435)	(250)
<b>Operating income</b>	<b>999</b>	<b>1,009</b>	<b>+10</b>
Finance costs	(150)	(169)	(19)
<b>Profit before tax</b>	<b>849</b>	<b>840</b>	<b>(9)</b>
Taxes	(232)	(232)	-
<b>Net profit</b>	<b>617</b>	<b>608</b>	<b>(9)</b>

## Balance sheet<sup>1)</sup>

In €m	Excluding IFRS 16	Including IFRS 16	IFRS 16 impact
Non-current assets	1,324	1,327	+3
Right-of-use asset <sup>2)</sup>	-	956	+956
Current assets	1,369	1,335	(34)
Cash and cash equivalents	697	697	-
<b>Assets</b>	<b>3,390</b>	<b>4,315</b>	<b>+925</b>
Equity	(1,529)	(1,564)	(35)
Financial debt <sup>2)</sup>	2,903	2,903	-
Lease liabilities <sup>3)</sup>	-	971	+971
Current liabilities	1,952	1,941	(11)
Other non-current liabilities	64	64	-
<b>Liabilities</b>	<b>3,390</b>	<b>4,315</b>	<b>+925</b>