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Q2 2020 Results

August 5, 2020

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as will, reach, goal, 2020, continue(s)/(d), full year, increasing, target, expected, second half of 2020, 2030, 2H20, impact(ed), tentative, improves, reduces, Q3, expectation, outlook, uncertainty, 53rd week, 53-week basis, contingent upon or remains, or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause actual results of Koninklijke Ahold Delhaize N.V. (the “Company”) to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company’s inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; natural disasters, pandemics and geopolitical events; climate change, raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company’s suppliers; the unsuccessful operation of the Company’s franchised and affiliated stores; changes in supplier terms and inability to pass on costs to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company’s defined benefit pension plans; the failure or breach of security of IT systems; the Company’s inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company’s legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company’s outstanding financial debt; the Company’s ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company’s credit ratings and the associated increase in the Company’s cost of borrowing; exchange rate fluctuations; inherent limitations in the Company’s control systems; changes in accounting standards; adverse results arising from the Company’s claims against its self-insurance program; the Company’s inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms and other factors discussed in the Company’s public filings and other disclosures.

Forward-looking statements reflect the current views of the Company’s management and assumptions based on information currently available to the Company’s management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

Highlights

Frans Muller
President & CEO

Strong results continued in Q2 largely driven by COVID-19

- Net sales were €19.1 billion, up 17.1%; up 15.9% at constant exchange rates
- U.S. and Europe comp sales growth excluding gas in Q2 were up 20.6% and 10.2%, respectively
- Net consumer online sales grew 77.6% in Q2 at constant exchange rates; Ahold Delhaize will reach €7 billion net consumer online sales goal in 2020, is a year ahead of plan
- Underlying operating margin was 5.3% in Q2, up 1.7¹ percentage points from the prior year
- Diluted EPS of € 0.65 in Q2; diluted underlying EPS of € 0.65, up 87.9%
- 2020 Interim dividend of €0.50, up 67% and based on 40% of 1H20 underlying income per share²

¹At constant exchange rates

²From continuing operations

Continued progress through the COVID-19 crisis

Large investments made in health and safety measures, improving omnichannel & digital capabilities and in-stock levels

Significant COVID-19 Investments

- COVID-19 costs of ~€330 million in 1H20, with ~€260 million Q2
- Includes additional safety measures, enhanced associate pay and benefits, and significant charitable donations to support local communities
- Hired over 45,000 associates globally in Q2; nearly 69,000 hired in 1H20

Enhancing Omnichannel & Digital Capabilities

- Over 70% increase in U.S. online grocery capacity expected in 2020
- 40% capacity increase for online grocery orders at Albert Heijn
- Opening four new Stop & Shop warerooms in 2020
- Accelerating U.S. Click & Collect rollout
- Same day delivery offered to 600+ more stores at Food Lion and Stop & Shop
- Bol.com to open a fulfillment center before year-end

Improving in-stock levels

- Continuing to work proactively with suppliers to improve in-stock levels
- Back to normal in-stock levels in Europe and improved in-stock levels in the U.S.
- U.S. continues to face industry constraints in certain categories

Highlights: United States

- 127% online sales growth in Q2; raising full year target to over 75% US online sales growth (from 30%+ initially) in 2020
- 765 Click & Collect points at the end of Q2 (up from 707 in Q1), increasing target to over 1,100 points in 2020
- Food Lion was our fastest growing brand and achieved its 31st consecutive quarter of positive comparable sales
- Agreed to acquire 62 stores from Southeastern Grocers, which will be converted to Food Lion
- Re-imagine Stop & Shop stores continued to outperform in Q2. Over 20 Stop & Shop remodels expected in the second half of 2020



Highlights: Europe

- Gained market share in Q2 in both The Netherlands and Belgium; maintained share in CSE
- 63.9% net consumer online sales growth in Q2
- Bol.com net consumer online sales growth of 65% in Q2 and added over 4,400 Bol.com merchant partners to the platform, bringing the total to nearly 34,000 merchants; third party sales grew by +107% in Q2
- Increasing online delivery capacity at Albert Heijn, by opening a new home delivery fulfillment center at Oosterhout; additional capacity coming in Q3
- Albert Heijn launched home delivery service in Belgium
- Greece and Romania to open their first home delivery fulfillment centers in the second half of 2020



Highlights: Health & Sustainability

- Publication of inaugural Human Rights Report
- Issued first Sustainability Bond Report; full proceeds used to invest in sustainable products, reduce climate impact and promote healthier eating
- Announced science-based targets for 2030 to halve carbon emissions from operations and reduce value chain emissions in coming decade
- Supporter of the FSB Task Force on Climate-related Financial Disclosures (TCFD)
- Food Lion received its 19th consecutive Energy Star Partner of the Year award and the Sustained Excellence award for 17th consecutive years; received this honor more than any other company
- ADUSA brands adopted new sustainability policies bolstering GMO product labeling and animal welfare



Financial Results

Natalie Knight
CFO



Strong Q2 Group performance due largely to COVID-19

Net sales

€19.103

in million

vs LY actual rates **17.1%**
vs LY constant rates **15.9%**

Comparable Sales Growth
excl. gas

16.4%

Net Consumer Online
Sales

€ 1,846

in million

vs LY actual rates **78.4%**
vs LY constant rates **77.6%**

Operating income

€1.004

in million

vs LY actual rates **79.3%**
vs LY constant rates **78.0%**

Underlying operating income

€1.009

in million

vs LY actual rates **70.0%**
vs LY constant rates **68.8%**

Underlying operating margin

5.3%

vs LY actual rates **1.6pts**
vs LY constant rates **1.7pts**

Income from continuing
operations

€693

in million

vs LY actual rates **107.6%**
vs LY constant rates **106.4%**

Diluted Underlying EPS

€0.65

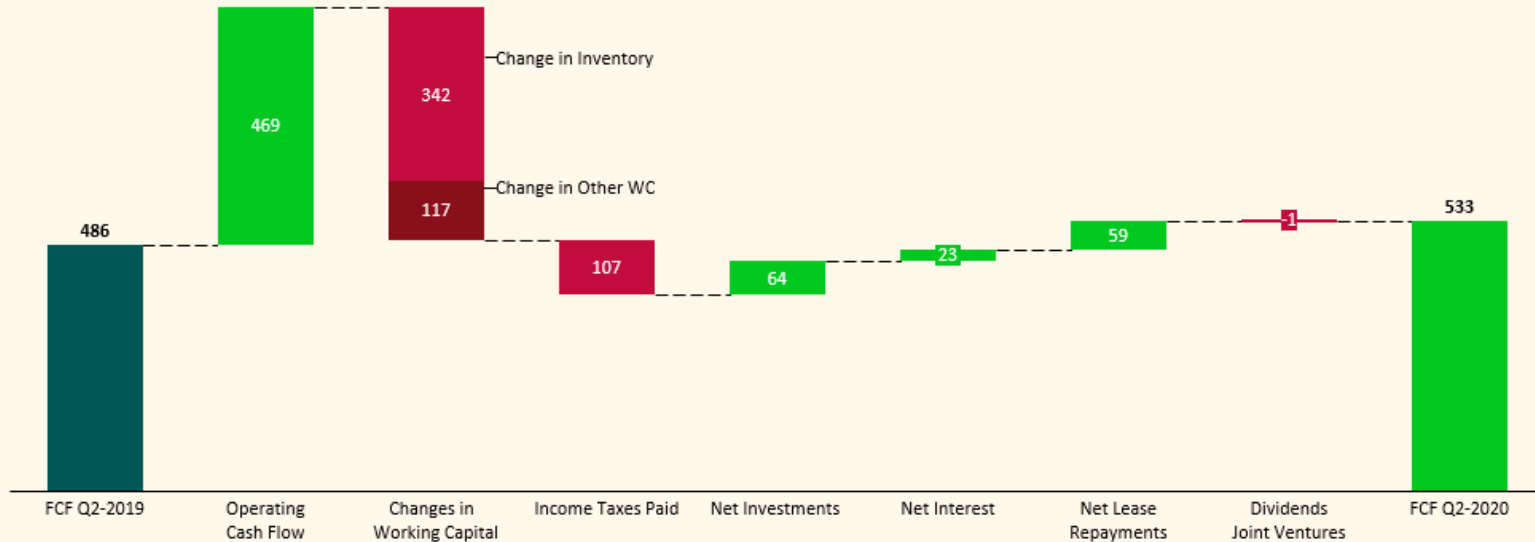
vs LY actual rates **87.9%**
vs LY constant rates **86.8%**

Both segments continue to deliver strong performance during COVID-19

	Ahold Delhaize Group		The United States		Europe	
	Q2 2020	% change constant rates	Q2 2020	% change constant rates	Q2 2020	% change constant rates
€ million						
Net Sales	19,103	15.9%	11,856	18.7%	7,247	11.4%
Comparable sales growth excl. gas	16.4%		20.6%		10.2%	
Online sales	1,347	68.7%	512	126.8%	834	45.8%
Net consumer online sales	1,846	77.6%	512	126.8%	1,334	63.9%
Operating income	1,004	78.0%	716	112.7%	325	15.6%
Operating margin	5.3%	1.8 pts	6.0%	2.7 pts	4.5%	0.2%
Underlying operating income	1,009	68.8%	724	103.7%	323	11.9%
Underlying operating margin	5.3%	1.7 pts	6.1%	2.5 pts	4.5%	- pts
Diluted EPS	0.65	114.3%				
Diluted underlying EPS	0.65	86.8%				
Free Cash Flow	553	9.3%				

Free Cash Flow remained strong in the quarter

FCF Q2 2020 vs Last Year (in €m)



Expected impact from Stop & Shop's tentative withdrawal agreement with Local Unions on UFCW International Union – Industry Pension Fund

- Tentative agreement improves the security of pension benefits for associates and reduces financial risk for the company
- On an pre-tax basis, the withdrawal liability and contribution into the transition reserve will amount to €583 million in aggregate
- Provision to impact Q3 IFRS results; will, however, be excluded from underlying profits, and therefore no impact on the underlying EPS and margin outlook
- Increasing Free Cash Flow expectation to at least €1.7 billion in 2020, despite the majority of the €583 million obligation expected to be paid in 2020

Raising 2020 outlook due to strong 1H performance

- COVID-19 continues to create uncertainty in the 2020 outlook, though due to strong 1H performance, raising 2020 underlying EPS outlook to low-to-mid-20% growth from mid-single-digit growth previously
- The underlying operating margin outlook will be higher than last year; expectation that the sales growth environment will moderate relative to 1H, which creates an operating leverage effect when factoring in significant ongoing costs related to COVID-19 and investments in digital/omnichannel capabilities
- Free Cash Flow outlook raised to at least €1.7 billion despite the significant pension withdrawal payment expected in 2H20, driven by strong year-to-date free cash generation

	Full-year outlook	Underlying operating margin ¹	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow ²	Dividend payout ratio ³	Share buyback
Updated Outlook	2020	Higher than 2019	Low-to-mid-20% growth	€600 million	~ €2.5 billion	> €1.7 billion	40-50%	€1 billion
Previous Outlook	2020	Broadly in line with 2019	Mid-single-digit growth	€600 million	~ €2.5 billion	> €1.5 billion	40-50%	€1 billion

1. No significant impact to underlying operating margin from the 53rd week, though the 53rd week should benefit net sales for the full year ca. 1.5% - 2.0%. Comparable sales growth will be presented on a comparable 53-week basis. As previously communicated, the margin includes a dilution of €45 million in transition expenses from the U.S. supply chain initiative, and an increased non-cash service charge of €45 million for the Netherlands employee pension plan, resulting from lower discount rates in the Netherlands.
2. Excludes M&A
3. Calculated as a percentage of underlying income from continuing operation

Wrap-up

- **Continued strong Q2 performance** despite significant costs incurred related to COVID-19
- Strong net consumer online sales growth; raising online targets and will **reach the €7b net consumer online sales goal in 2020, a year ahead of plan**
- **Raising full year outlook for underlying EPS growth and underlying operating margin** due to strong first half year performance
- **Increasing full year cash flow guidance to at least €1.7b**, despite paying the majority of the obligation to withdraw from a U.S. multi-employer pension plan, contingent upon ratification by Union Locals
- **2020 Interim Dividend of €0.50** announced, representing a **40% dividend payout ratio**; payment date August 27, 2020
- **Health and safety of customers and associates**, as well as continued **progress in sustainability initiatives** (i.e., Human Rights report, TCFD work, science-based targets on climate) remains a **top priority**

Thank you

