



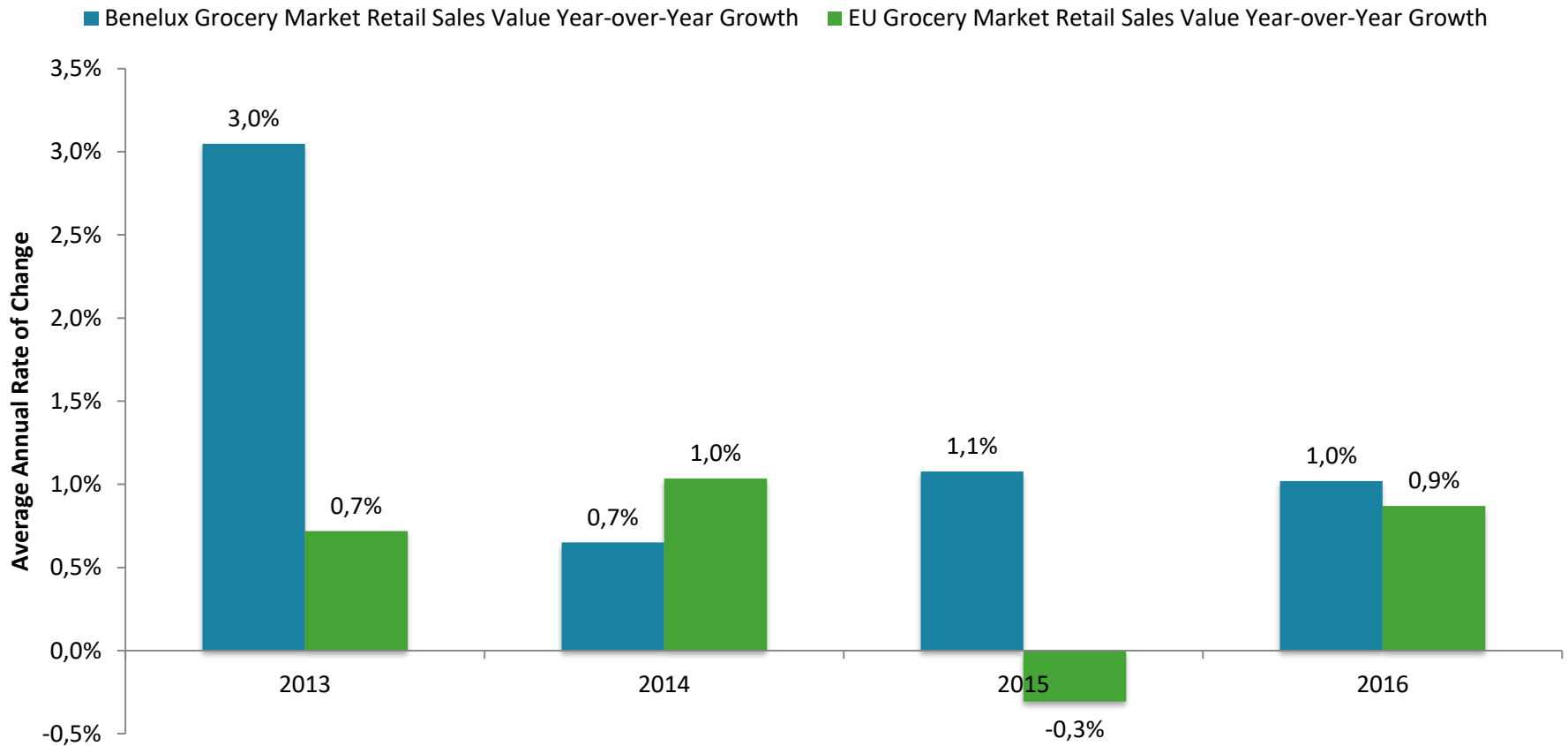
Channel Shifts and the Consolidation of the Benelux Retailing Market

Prepared by Ethan S. Sinick
03 2016



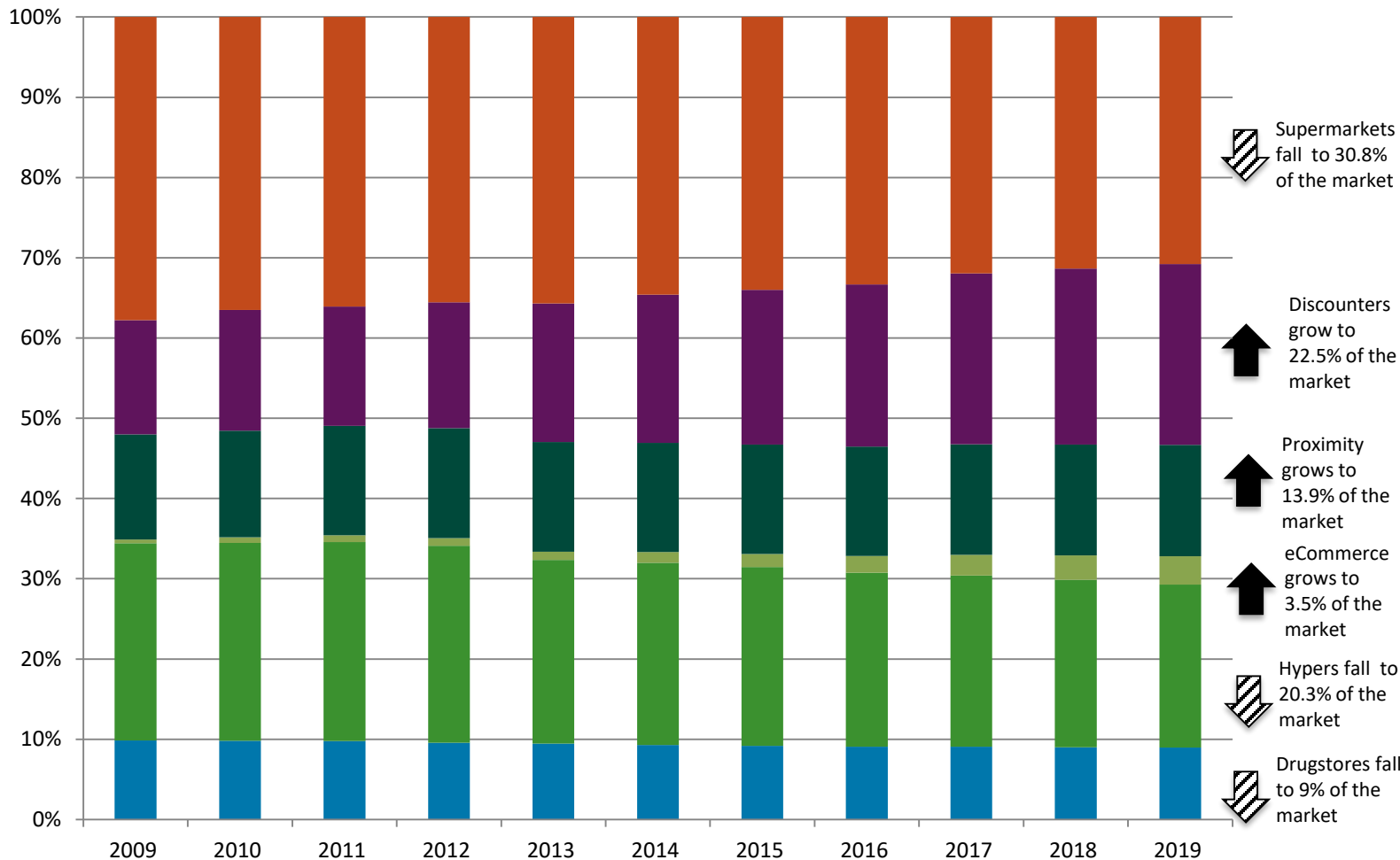
Belgium and the Benelux Markets Are Relative Bright Spots in the European Grocery Landscape

Benelux Grocery Retail Sales vs EU Food Inflation

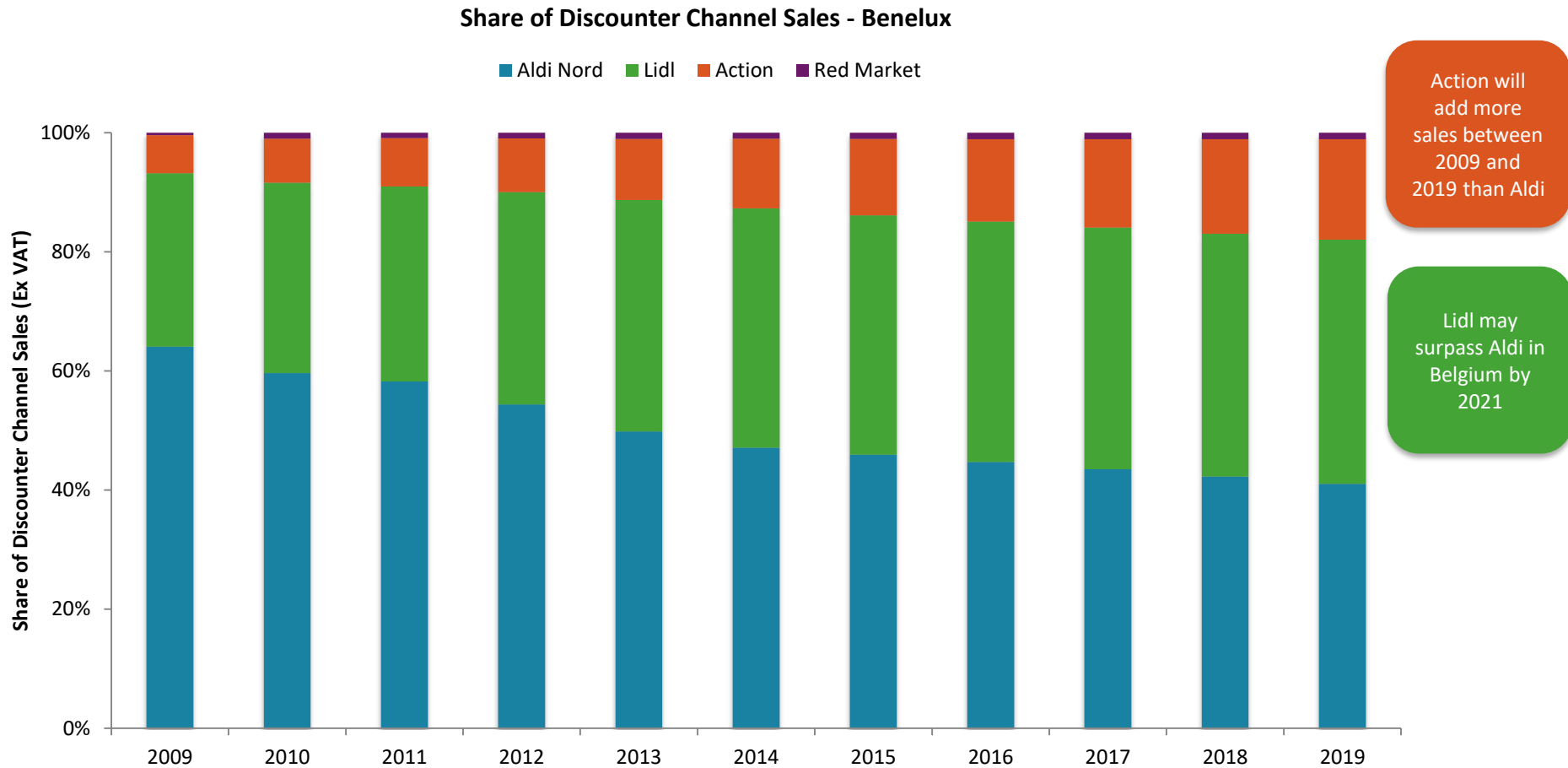


Note: Benelux Grocery Retail Sales include Grocery and FMCG products for all countries Source: Shirland Ventures database

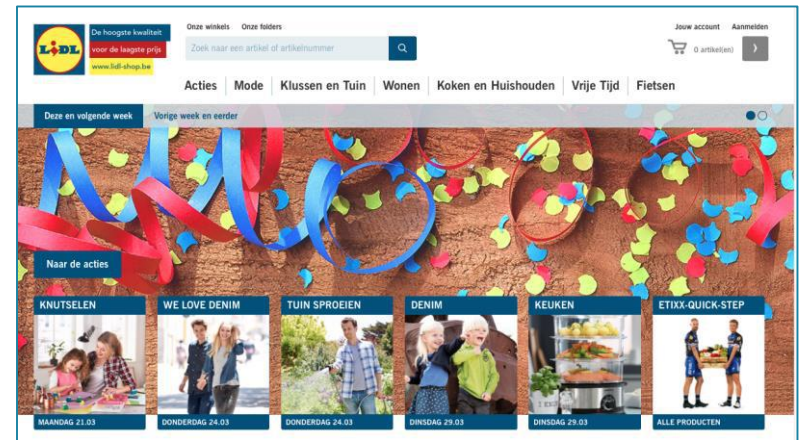
The Belgian Market, Like to Benelux as a Whole, is Experiencing a Rapid Channel Shift



Benelux Discounter Growth Supported by the Expansion of Three Retailers

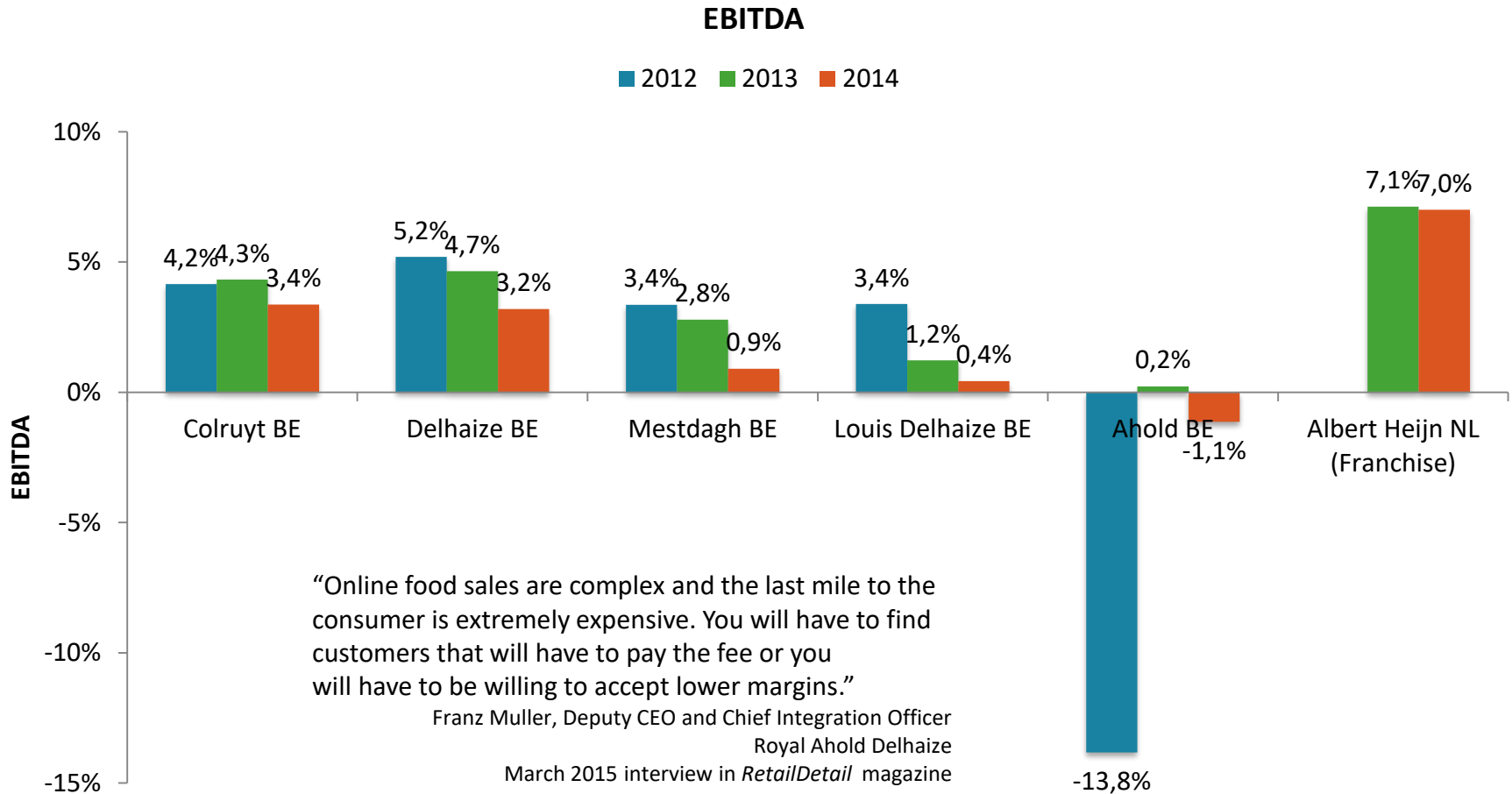


A Growing Number of FMCG Retailers Are Investing in eCommerce



Lidl launched its e-commerce site in Belgium on 22nd March. The assortment is currently focused on 350 in-and-out non-food SKUs. For now, orders will be fulfilled from Germany.

Channel Shifts Reduce Profits for Most Benelux Hyper & Super Chains

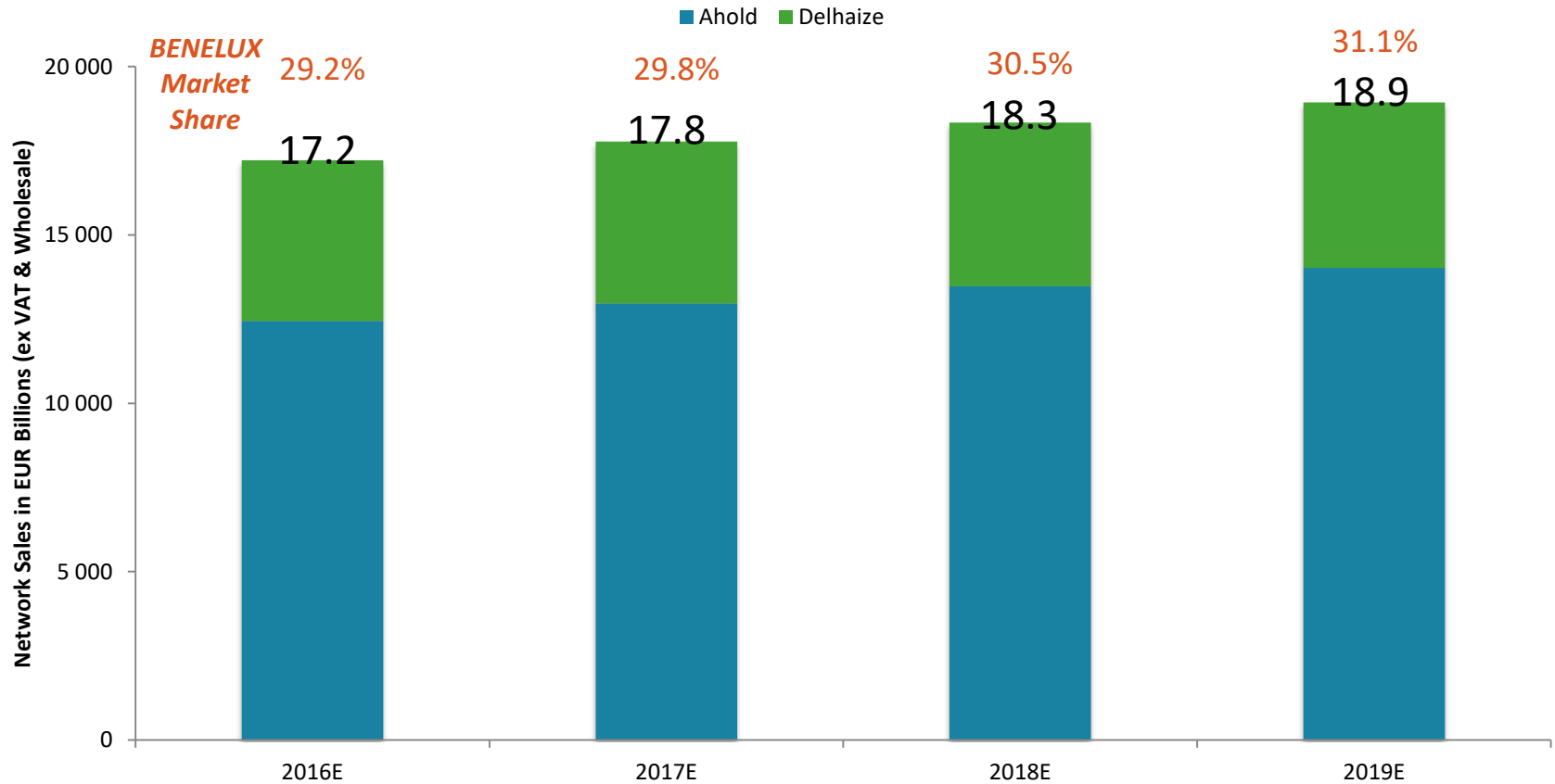


In This Environment, Royal Ahold Delhaize is a Good Option for Shareholders

- The primary promise of this merger is an increasing payment to shareholders, immediately 1 billion, and clear expectations of future dividend increases
- The majority of increasing payout will come from a cost savings package equal to 8% of group sales on an ongoing basis or an approximate 20% increase in free-cash-flows
- In this environment, investment in expensive moderate growth via a multi-channel strategy is expected continue at the current rates, without a merger it is clear that the rate of multi-channel growth would have had to slow dramatically

The Combined Ahold/Delhaize Business Will Gain Market Share in Benelux

Combined Network Sales in BENELUX (EUR Billions) 2016-2019



Note: Sales figures include all formats and franchise sales in Belgium and the Netherlands.

Source: Shirland Ventures database



The Projected Market Share Growth Relies on the Group's Multi-Channel Strategy

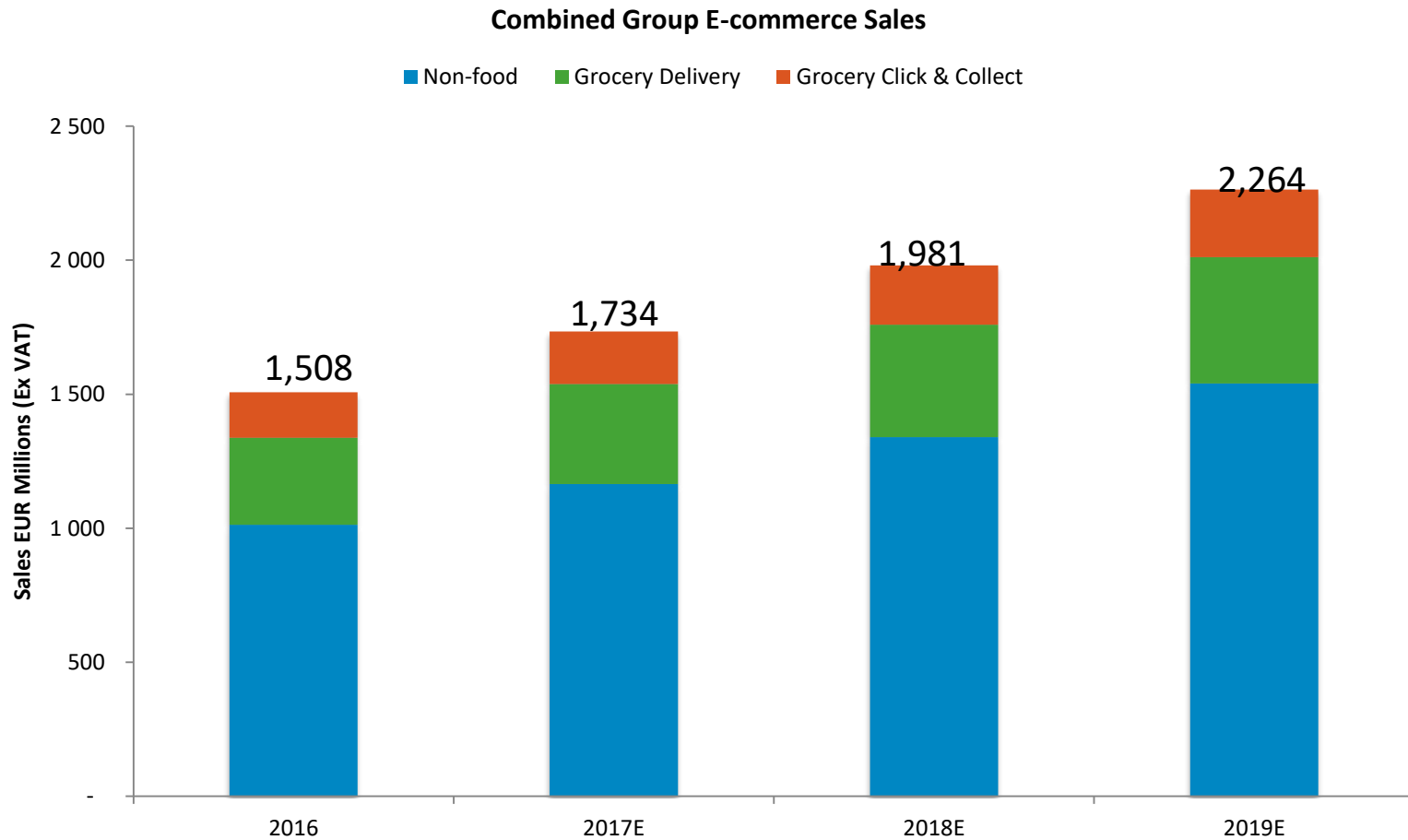
Combined Group Network Sales Growth by Format in BENELUX 2016-2019E



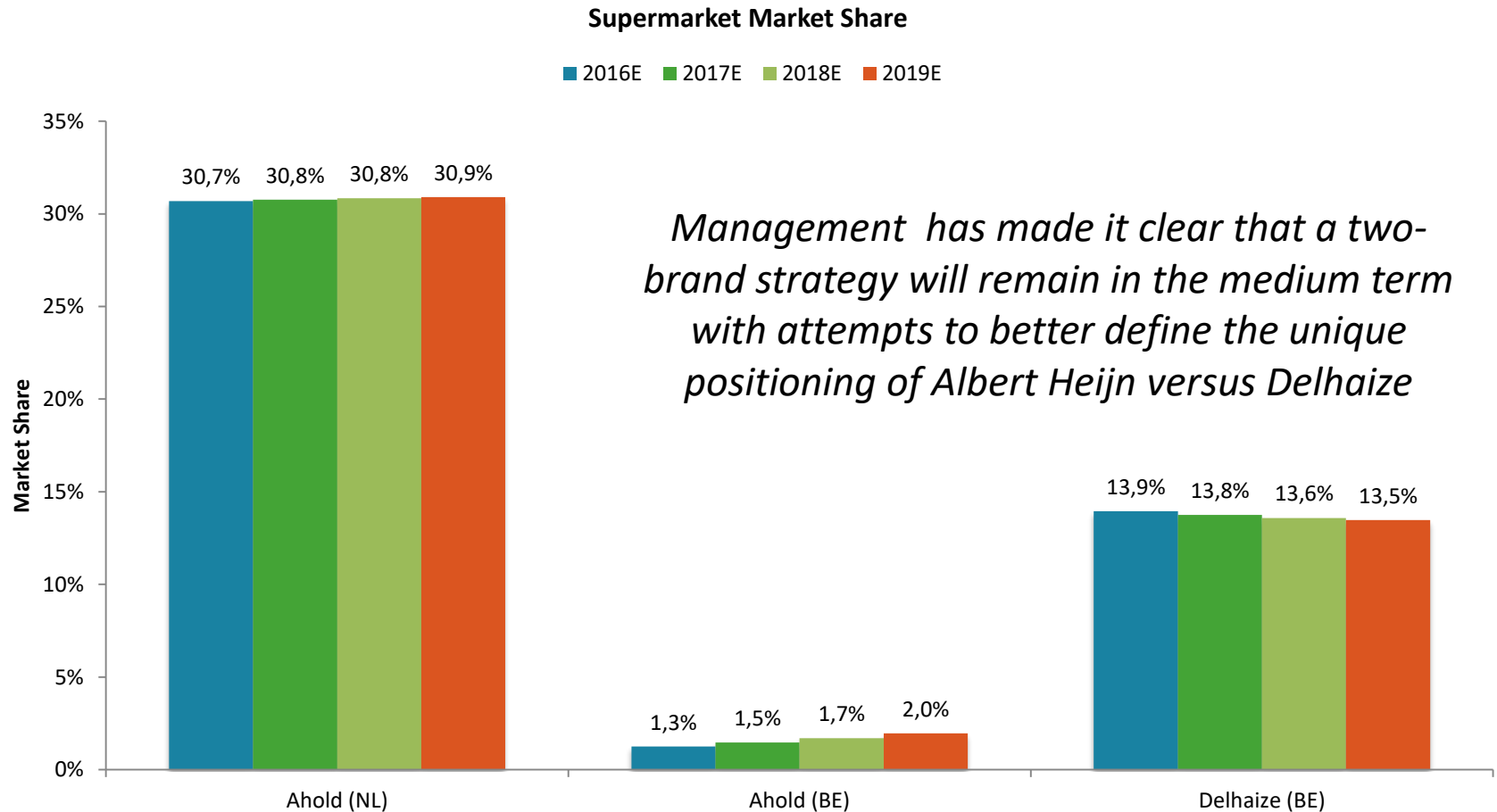
Note: Sales figures include all formats and franchise sales in Belgium and the Netherlands.
 Source: Shirland Ventures database



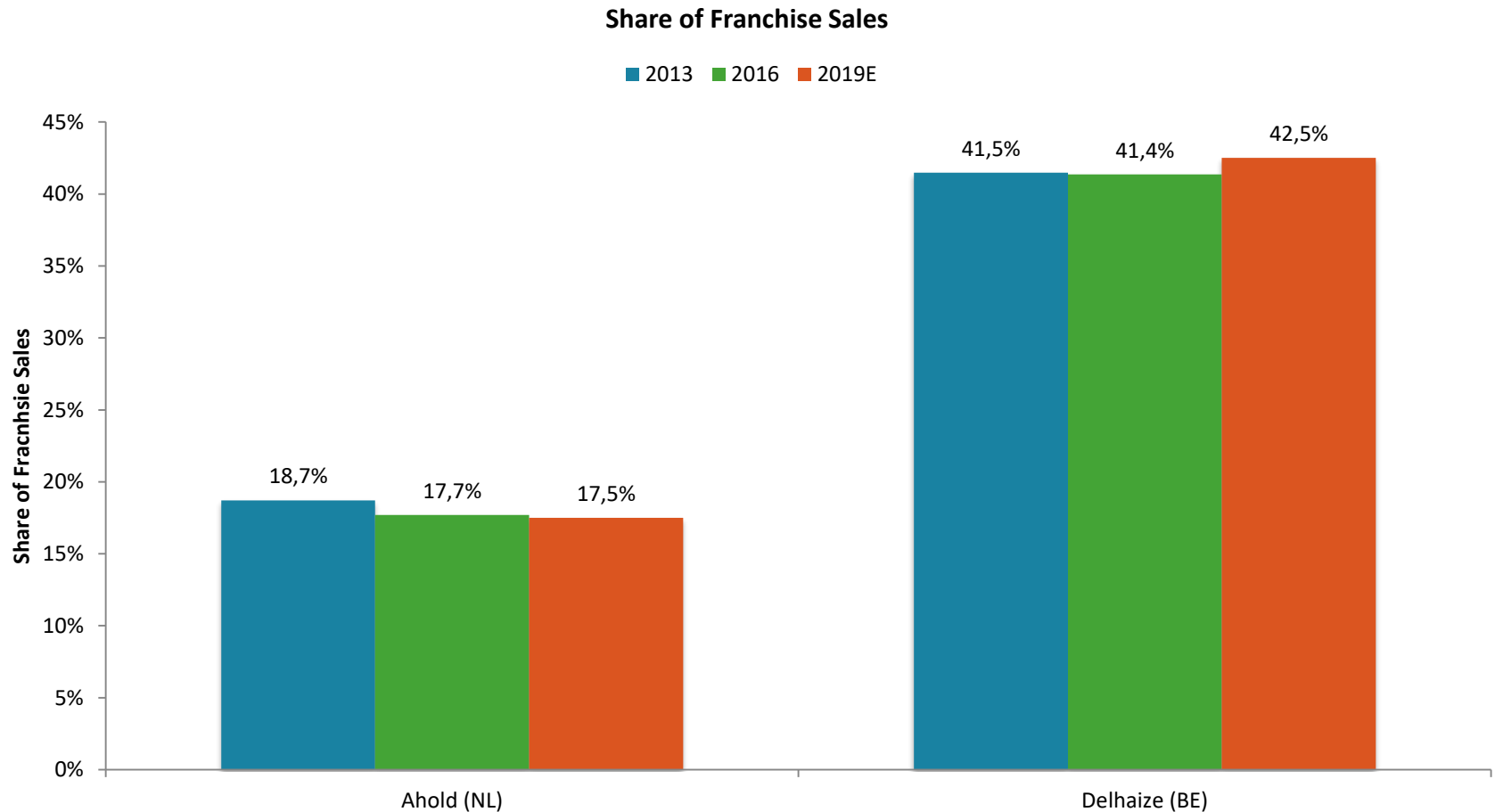
EUR 1 Billion eCommerce Growth Opportunity for Royal Ahold Delhaize in Benelux



Selecting a Single Supermarket Banner Will Not Be an Easy Decision



For the New Company, Managing the Franchisee Based is a Unique Challenge in the Benelux



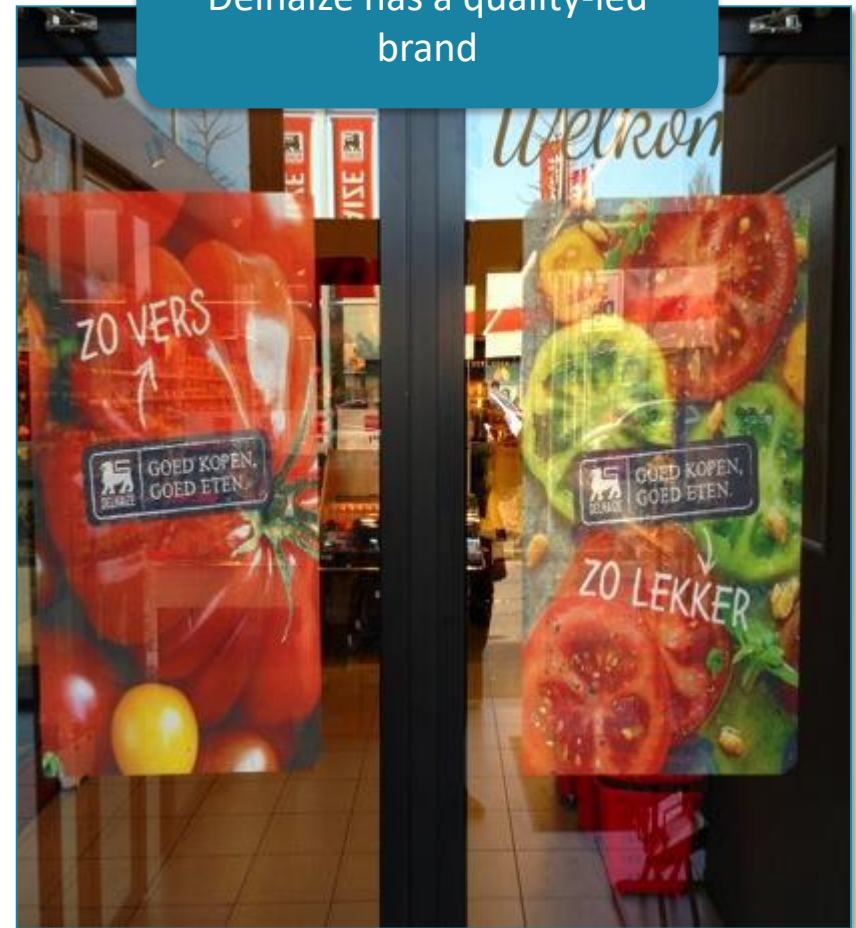
Note: Ahold franchise sales included Albert Heijn, Etos & Gall & Gall
Source: Shirland Ventures database

Despite the Similarities, Albert Heijn and Delhaize Are Already Different Brands in Belgium

Albert Heijn has nurtured a price-led brand in Belgium



Delhaize has a quality-led brand



Albert Heijn and Delhaize Have Some Big Differences in Category Strategy

AH Has a Flavour-Led Wine Section



AH Has a Small Baby & Beauty Business



Delhaize Has a Provenance-Led Wine Section with Bulk Offers



Delhaize Has a Reasonable Baby & Beauty Business



After Three Years of the New Group, We Should Expect a Brand Evaluation to Be Part of the Plans

- The first three years of the merger are focused on achieving the initial package of cost-savings, of which Benelux will be looking to achieve around EUR 150 million, around 8% of combined revenues
- Our working assumption is that around EUR 120 million of the targeted Benelux savings will come from improved purchasing conditions, with this improvement achieved by the end of 2017

Royal Ahold Delhaize is Part of a Growing Number of Benelux Success Stories



Above average growth and profit in Belgium



Above average growth in Belgium



Above average growth in Belgium via acquisitions with plans for organic growth



Above average growth and profit in Belgium

Colruyt was an early mover who has struggled to achieve Benelux success and will clearly have to consider moves as a response to the growing pressure from these models.

International Buying Groups and Alliances Offer Another Short-Term Solution for Retailers

LDIT Hires
Carrefour 12
2014



=



Core joins
Alidis 09 2015



+



COOPERNIC[★]

AMS to join
Coopernic in
09 2016?

Today, 64% of Belgian Grocery Market Value subject to international agreements. 84% of Belgian Grocery Market Value subject to international buying oversight.

Conclusions

- The retail channel and company structure is considerably more volatile than the overall market as competition and record low interest rates fuel concern and growing expectations amongst public and private shareholders
- Your growth channel and growth partner priorities are rapidly changing as shoppers move their loyalty into new channels. Discounters in particular will have the advantage of being the most consistent, cash rich and focused customers in a rapidly changing landscape
- You will have to work harder with your traditional lead retail customers as the possibility of cost savings and competitive advantage are seen in larger combinations, particular cross-border ones with large differences in purchasing terms that can be readily arbitrated in negotiations
- Keeping customers focused on the need to balance cost savings with improved shopper loyalty will be the best opportunity for leading brands in this context, said another way, the best partner for short-term cost savings may not be the best partner for growth and the challenge will be for the retailers to maintain a balanced view

END.

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