



## 2015 Results presentation

November 2015

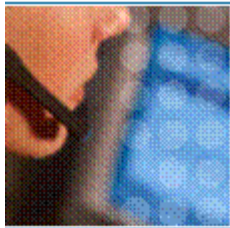


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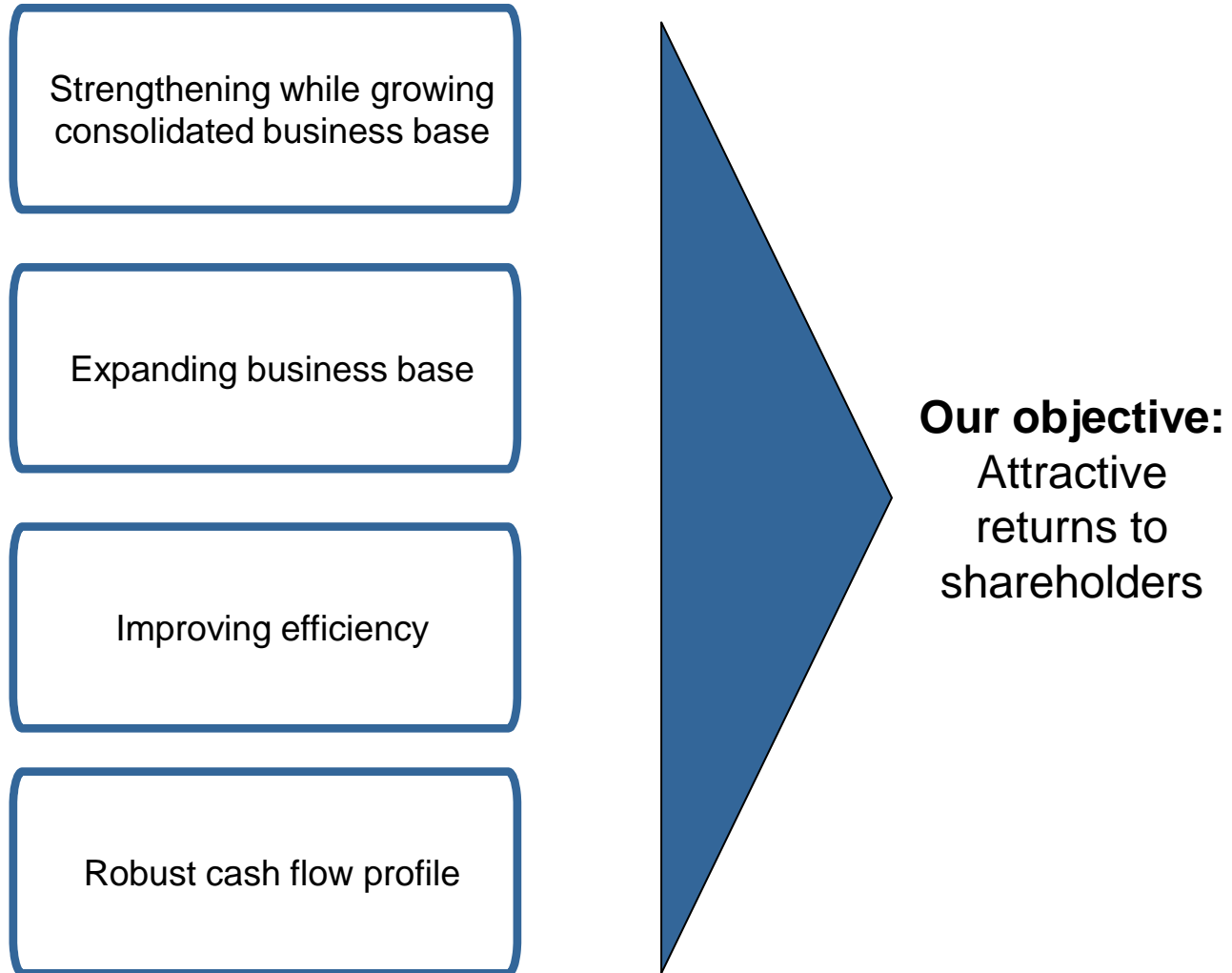
- **Results Highlights**
- **Delivering on our objectives**
- **Business Review**
- **Financial Review**
- **Outlook**

- >1% Economic Sales growth, excluding non-recurring in 2014
  - Revenues almost stable, decreasing by 0.3% to €9,471m
  - Economic Sales reached €1,010m, down by 1.8%
  - Positive impact of litigation provision's reversal in Q2 2014 affecting comparison
- +1.1% adjusted EBIT growth to €223m
  - Adjusted EBIT margin growth continues
- Reported Net Income increased to €109m (+6.7%)
- Economic Free Cash Flow: €152m
  - Increasing 1.3% over previous year
- Total dividends per share: €0.74
  - 0.5 € final dividend to be paid in Q2 2016

**Solid Business Model: Growth in Results despite positive impact of non-recurring during Q2 2014**



**Delivering on our objectives**



#### **Maintaining leadership in tobacco (contracts renewal depends on expiry calendar):**

- Spain: Philip Morris

#### **Growing services:**

- Route-to-consumer information to tobacco sector in Spain, France and Italy
- Distribution of NGP launches/tests in Spain, France and Italy
- International transport in Italy: gained new contracts and enlarged some of the existing
- In transport: fulfillment of GDP requirements for pharmaceutical sector

#### **Supporting industry/anticipating changes:**

- Preparing for Track & Trace requirements in tobacco distribution: show case in France
- Illicit trade: Security investments/proactivity

Consolidated business base: Positive Economic sales performance  
excluding one-offs in FY 2014

**Boosting sales into existing pipeline (wholesale):**

- Enlargement of portfolio for tobacconists in Spain, developing our presence at PoS
- Strong development of convenience network (stores, cash & carries at service points) in Italy
- Partnership agreements with manufacturers (consolidating convenience wholesale sector)
- PoS terminals: launch of Strator in Spain, continue growing in France and Italy

**Developing Pharma (special focus on distribution to pharmacies):**

- Additional contracts in pre-wholesaling
- New contracts enlarging our current regular coverage of pharmacies

**New geographies:**

- Hungary: legislation change (wholesale monopoly) prevented short term entry

Double-digit growth in sales of convenience products in Italy and Pharma



**Vertical business model:**

- Continuous reduction of headcount in tobacco warehouses in Spain
- Reorganisation of activity in South Eastern France
- Increasing service level in convenience activities in France

**Synergies:**

- Reorganisation of transport routes
- Implementation of new ERP (SAP) in convenience in France
- Streamlining network in Italy

**Continuous improvements:**

- Reusable boxes' project: consolidation in Spain, launch in Italy
- Environmental measures: carbon footprint reduction, installation of high performance lighting...

+70 b.p. in Adjusted EBIT margin over Economic Sales

**High cash conversion:**

- FCF / EBITDA is maintained at 58%

**High pay out ratio:**

- 90% of Net Profit distributed as dividends

**Bi-annual dividend payments:**

- 0.56 Euros/share paid 26 February (corresponding to fiscal year 2014)
- 0.24 Euros/share paid 27 August (interim fiscal year 2015)

€106m paid during fiscal year 2015

Strengthening while growing consolidated business base

Tobacco and Transport: Positive Economic sales performance excluding one-offs in FY 2014

Expanding business base

Convenience products in Italy and Pharma delivering double-digit growth in sales

Improving efficiency

+70 b.p. in Adjusted EBIT margin over Economic Sales

Robust cash flow profile

€106m dividends paid during fiscal year 2015



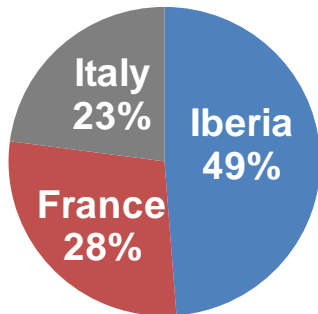
Dividend Yield  
in FY2015:  
5.6%



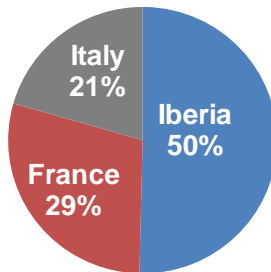
# Business Review

### Geographical Split

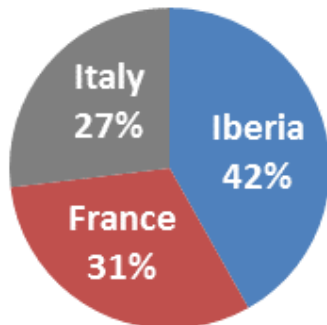
Eco. Sales: €1,010m <sup>1</sup>



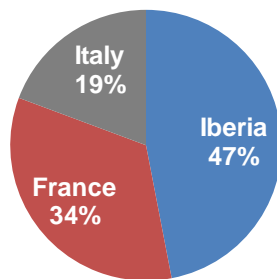
FY 2014\*: €1,029m <sup>1</sup>



Adj. EBIT: €223m <sup>2</sup>

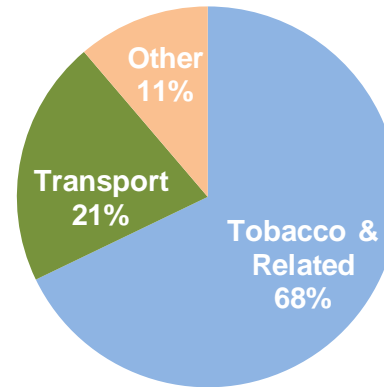


FY 2014\*: €221m <sup>2</sup>

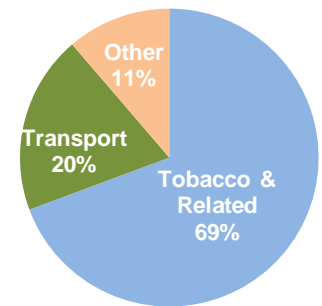


(\*) Restated

### Breakdown of activities: Ec. Sales <sup>3</sup>



FY 2014\*: 1,029m <sup>3</sup>



- **Tobacco & Related in all 3 regions**
  - Italy, less developed in Related
- **Transport in Iberia**
  - Margins below Group's average
- **Other Businesses**
  - Iberia: Pharma, Publications and Lottery
  - France: wholesale in other channels

<sup>1</sup> Breakdown calculated over Eco. Sales before Corporate Centre & Others: FY 2015 €1,004m / FY 2014 €1,023m

<sup>2</sup> Breakdown calculated over Adj. EBIT before Others & Adjustments: FY 2015 €235m / FY 2014 €233m

<sup>3</sup> Breakdown calculated over Ec. Sales before Corporate Centre & Others and Adjustments: FY 2015 €1,052m / FY 2014 €1,070m

### Iberia

- Macroeconomic environment: strong acceleration of growth
- Litigation settlements affecting comparison
- Slowing down in tobacco volume drop, moderate RSP increase (in line with 2014) and growth of low-price brands
- Transport continued benefitting from activity recovery, significant growth in Pharma business
- Books activity: now equity method consolidation (non-material impact)

Revenues: €2,577m (+1.2%)

Ec. Sales: €490m (-5.0%)

Adj. EBIT: €98 (-10.2%)

### France

- Macroeconomic environment: not showing clear recovery signals
- Lower decline of tobacco volumes, no RSP increase
- Consumption weakness impacted convenience and other businesses
- Reorganisation of operations in South Eastern region

Revenues: €4,407m (-1.1%)

Ec. Sales: €284m (-4.3%)

Adj. EBIT: €73m (-6.4%)

### Italy

- Macroeconomic environment: slight recovery
- Moderate tobacco volume drop, RSP increase for the first time in 3 years and significant growth of low-price brands
- Consolidation of Group's business model (operations and convenience activity): profitability levels more aligned with other geographies

Revenues: €2,519m (-0.4%)

Ec. Sales: €230m (+9.4%)

Adj. EBIT: €63m (+40.8%)

### Corporate & Others

- Polish activities strongly growing, although very small
- Corporate costs stable

Revenues: €(32)m (-1.9%)

Ec. Sales: €6m (-0.7%)

Adj. EBIT: €(12)m (+1.7%)

### Tobacco and Related

- Substantial reduction in tobacco volume rate of decline:
  - Cigarette: -0.8% vs. -3.8%
  - RYO: -0.8% vs. -12.3%
- Modest RSP increase in line with 2014: +5 cents per pack
- Strong growth in sales of non-tobacco related products
- Enlarged portfolio of convenience products to tobacconists, commercial boost (point of sale terminals, sales force, loyalty campaigns...)

Revenues: €2,217m  
(+1.6%)

Ec. Sales: €246m  
(-13.5%)

### Transport

- Long haul: enlarged contracts' scope and new clients incorporation
- Parcel: growing volumes (+8%), pressure on tariffs continues but increasing demand on GDP compliant services
- Courier: growing shipments in all services ( above 10%)

Revenues: €330m  
(+4.2%)

Ec. Sales: €220m  
(+6.0%)

### Other Businesses

- Pharma increased market share in hospitals and pharmacies
  - 3 new agreements enlarging current regular coverage in distribution to pharmacies
- Publications: other products ("flow pack" type) to mitigate sector decline
- Change of scope in Lottery contract in Q2 2014 affected comparison

Revenues: €117m  
(-9.3%)

Ec. Sales: €66m  
(+5.3%)

### Adjusted EBIT

- Impact of litigation settlements affected comparison between periods:
  - Excluding non-recurring: +4.5%
- Cost control measures and efficiency improvement taking advantage of vertical business model: continuous headcount reductions, transport route reorganisations, cross synergies...

Adj. EBIT: €98m  
(-10.2%)

### Tobacco and Related

- Tobacco volume slightly decreasing:
  - Cigarette: -0.5% vs. -4.6%
  - RYO: +4.4% vs. -2.7%
- No RSP increases vs. +20 cents in 2014
- Positive evolution of smoking items category, other non-tobacco related products reflected weak consumption and lower e-cigarette sales
- Declining prepaid telephony sector mitigated by increase in other e-transactional products

Revenues: €4,193m  
(-0.8%)

Ec. Sales: €238m  
(-3.9%)

### Other Businesses

- Portfolio of clients' rationalisation after the activity increase derived from disappearance of a competitor in 2014
- Irregular evolution of consumption
- Convenience channel more affected in a market driven by prices

Revenues: €222m  
(-8.0%)

Ec. Sales: €52m  
(-10.2%)

### Adjusted EBIT

- Reorganisation of tobacco activities in South East area
- SAP implementation, service level and efficiency improvements in convenience activity

Adj. EBIT: €73m  
(-6.4%)



**Tobacco and  
Related**

- Moderate tobacco volume drops:
  - Cigarette: -0.7% vs. -0.4%
  - RYO: +4.2% vs. +3.4%
- First RSP increase in 3 years: +20 cents per pack
- Significant market share increase of cigarette low price segment
- Growth of additional services invoiced to manufacturers
- Sales of convenience products boosted by commercial effort and Group's business model consolidation

**Revenues: €2,519m**  
(-0.4%)

**Ec. Sales: €230m**  
(+9.4%)

**Adjusted EBIT**

- Very positive performance of costs: network reorganisation, service level and efficiency improvements linked to the operating model
- Costs duplicity during 2014 disappeared in 2015
- Adj. EBIT margin now more aligned with other geographies

**Adj. EBIT: €63m**  
(+40.8%)



# Financial Review

(€m)	2015	2014 (*)	Δ%
<b>Revenues</b>	<b>9,471</b>	<b>9,499</b>	<b>(0.3)%</b>
<b>Eco. Sales</b>	<b>1,010</b>	<b>1,029</b>	<b>(1.8)%</b>
(-) Distribution Costs	(621)	(637)	+2.5%
(-) Sales and Marketing Expenses	(63)	(66)	+5.2%
(-) Research Expenses and G&A Expenses	(103)	(105)	+1.4%
<b>Total Costs</b>	<b>(787)</b>	<b>(808)</b>	<b>+2,6%</b>
<b>Adjusted EBIT</b>	<b>223</b>	<b>221</b>	<b>+1.1%</b>
<b>Margin %</b>	<b>22.1%</b>	<b>21.4%</b>	<b>+70 b.p.</b>
(-) Restructuring Cost	(13)	(10)	(33.9)%
(-) Amort. of Intangibles Logista France	(52)	(52)	0.0%.
(-) Net Loss on Disposal and Impairments	2	(16)	+110.5%
(-) Share of Results of Companies and Others	0	(4)	+105.6%
<b>Profit from Operations</b>	<b>160</b>	<b>138</b>	<b>+15.5%</b>

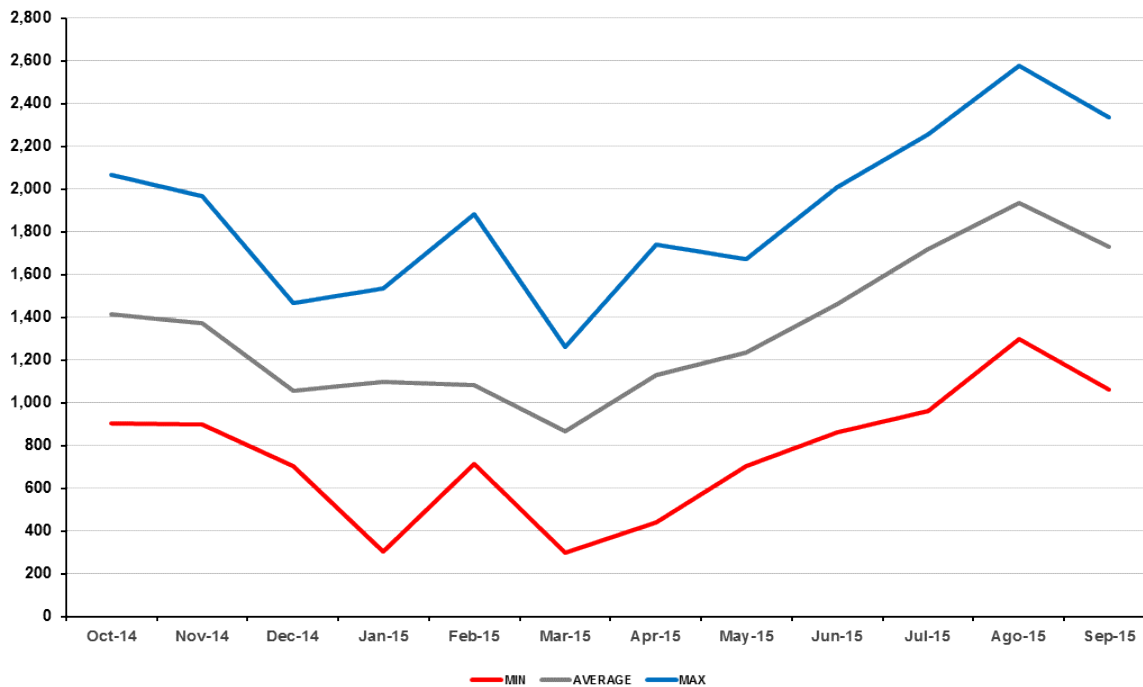
(\*) Restated

- Revenues: Good performance of Transport and Tobacco and related in Iberia almost fully offsetting the impact of stable RSP and higher low price segment over dropping volumes in France and Italy
  - Ec. Sales increased excluding non-recurring effect due to good performance of Transport and Other businesses in Iberia and growth in Italy
  - Reduction of costs despite activity increase
  - Improvement of Adj. EBIT margin
- 
- Higher restructuring costs associated to weakness in France
  - No impairment needed
  - Books consolidated using equity method
  - Profit from Operations growing above Adj. EBIT and Ec. Sales

(€m)	2015	2014 (*)	Δ%
<b>Profit from operations</b>	<b>160</b>	<b>138</b>	<b>+15.5%</b>
(+) Financial Income	12	22	(43.2)%
(-) Financial Expenses	(4)	(7)	+38.1%
<b>Profit before taxes</b>	<b>168</b>	<b>153</b>	<b>+9.6%</b>
(-) Corporate Income Tax	(58)	(54)	(8.1)%
<i>Effective Income Tax Rate</i>	<i>34.6%</i>	<i>35.0%</i>	<i>+40 b.p.</i>
(+/-) Other Income / (Expenses)	(0)	3	(110.1)%
(-) Minority Interest	(0)	0	(143.9)%
<b>Net Income</b>	<b>109</b>	<b>102</b>	<b>+6.7%</b>

(\*) Restated

- Positive Financial Result:
  - Litigation settlement in 2014 affecting comparison
  - Lower interest rates on higher average cash position
- Lower effective corporate income tax rate:
  - Reduction in France



Seasonality driving cash position to its peak towards year end:

- Dividend payments:
  - February (€74.3m) Final 2014
  - August (c. €32m) Interim 2015

(€m)	Mínimum	Average	Maximum
Cash	295	1,341	2,575

(€m)	2015	2014	Δ%
Maintenance	4.3	5.8	(25.9)%
Infrastructure	13.2	12.0	10.0%
IT investments (technology)	13.2	17.2	(22.7)%
<b>Total investments</b>	<b>30.7</b>	<b>35.0</b>	<b>(12.3)%</b>

- Total investment slightly below previous year due to IT projects calendar
- c. 50% dedicated to technology
- Limited investment in warehouses: asset light business model

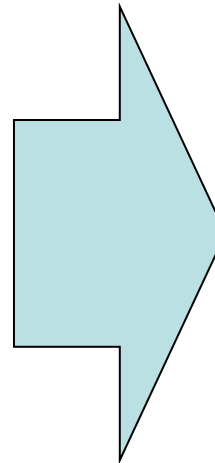
(€m)	2015	2014	Δ
<b>EBITDA</b>	<b>261</b>	<b>259</b>	<b>2</b>
Movements in long term Prov. (payment)	(6)	(57)	51
Working Capital Variations and Others	(13)	30	(43)
Corporate Income Tax Paid	(70)	(54)	(16)
Financial Income and Expenses Flows	8	8	0
<b>Cash Flow From Operating Activities</b>	<b>180</b>	<b>186</b>	<b>(6)</b>
Net Investments	(28)	(35)	7
<b>Economic Free Cash Flow</b>	<b>152</b>	<b>150</b>	<b>2</b>
% over EBITDA	58%	58%	

- Impacted by litigations settlement payments in 2014 (c.€54m)
- Good performance of working capital variation
- Increase in FCF generation

- Directors will propose a dividend distribution for year ended September 2015 of €98 million
  - Interim dividend paid in August 2015 (€0.24 per share, c. €32m)
  - Final dividend per share: €0.5 (number of shares: 132,750,000)
  - Payable at the end of second quarter of fiscal year 2016
  
- Directors intend for the next years to distribute, at least, 90% of reported net profit in dividends
  - Interim dividend: 1/3 of the previous year's total dividend, in the fourth quarter of the relevant fiscal year
  - Final dividend: in function of reported net profit, in the second quarter of the next fiscal year



- Highly resilient business model
- Superior profitability with improving margins
- Robust Economic Cash Flow profile
- Attractive Dividend Pay-out profile



**TSR 2015\* :+22.6%**

\* Source: Bloomberg, from 30 September 2014 to 30 September 2015 (without dividends' reinvestment )



# Outlook

- Tobacco:
  - Volumes: slightly higher decline rate
  - RSP increases in all geographies (no significant tax increases expected)
  - No relevant impact expected in France as a consequence of a potential Plain Packaging implementation, presumably coming into effect in fiscal year 2017
- Wholesale: gaining SoM in Other products
  - Adding exclusive/preferred contracts
  - Omni-channel strategy (sales force, call centre, web, cash & carry and strong focus on PoS terminals), enlarged catalogue in Spain, loyalty programs...
- Transport improvement boosted by better activity especially in Spain
- Growth in direct distribution to pharmacies, doubling base of regularly covered pharmacies after incorporating new agreements
- Cost control measures and efficiency improvement programs taking advantage of our vertical business model (Adj. EBIT margin expansion)
- Higher Adj. EBIT and lower restructuring costs resulting in Net Profit growth
  - Pay-out: 90% of Net Profit



# Appendix

	Million units			% Y-o-Y Change	
	1 Oct. 2014 – 30 Sept. 2015	1 Oct. 2013 – 30 Sept. 2014	1 Oct. 2012 – 30 Sept. 2013	1 Oct. 2014 – 30 Sept. 2015	1 Oct. 2013 – 30 Sept. 2014
<b>TOTAL</b>					
Cigarettes	167,734	168,895	173,349	(0.7)%	(2.6)%
RYO/MYO	20,617	20,126	21,229	2.4%	(5.2)%
Cigars	3,968	4,040	4,134	(1.8)%	(2.3)%
<b>SPAIN</b>					
Cigarettes	46,136	46,528	48,342	(0.8)%	(3.8)%
RYO/MYO	6,618	6,675	7,611	(0.8)%	(12.3)%
Cigars	2,128	2,153	2,205	(1.2)%	(2.4)%
<b>PORTUGAL</b>					
Cigarettes	1,675	1,694	1,845	(1.1)%	(8.2)%
RYO/MYO	166	192	247	(13.3)%	(22.3)%
Cigars					
<b>FRANCE</b>					
Cigarettes	46,027	46,261	48,487	(0.5)%	(4.6)%
RYO/MYO	9,501	9,105	9,353	4.4%	(2.7)%
Cigars	1,356	1,401	1,442	(3.2)%	(2.8)%
<b>ITALY</b>					
Cigarettes	73,896	74,412	74,675	(0.7)%	(0.4)%
RYO/MYO	4,330	4,154	4,018	4.2%	3.4%
Cigars	484	486	487	(0.4)%	(0.2)%

(€m)	2015	2014 (*)	Δ%
<b>Iberia</b>	<b>2,577</b>	<b>2,545</b>	<b>+1.2%</b>
Tobacco & Related	2,217	2,182	+1.6%
Transport Services	330	316	+4.2%
Other Businesses	117	128	(9.3)%
Adjustments	(87)	(81)	(7.6)%
<b>France</b>	<b>4,407</b>	<b>4,455</b>	<b>(1.1)%</b>
Tobacco & Related	4,193	4,225	(0.8)%
Other Businesses	222	241	(8.0)%
Adjustments	(8)	(11)	+31.0%
<b>Italy</b>	<b>2,519</b>	<b>2,530</b>	<b>(0.4)%</b>
Tobacco & Related	2,519	2,530	(0.4)%
<b>Corporate &amp; Others</b>	<b>(32)</b>	<b>(31)</b>	<b>(1.9)%</b>
<b>Total Revenues</b>	<b>9,471</b>	<b>9,499</b>	<b>(0.3)%</b>

(\*) Restated

(€m)	2015	2014 (*)	Δ%
<b>Iberia</b>	<b>490</b>	<b>516</b>	<b>(5.0)%</b>
Tobacco & Related	246	283	(13.5)%
Transport Services	220	209	+6.0%
Other Businesses	66	63	+5.3%
Adjustments	(42)	(39)	(9.0)%
<b>France</b>	<b>284</b>	<b>297</b>	<b>(4.3)%</b>
Tobacco & Related	238	248	(3.9)%
Other Businesses	52	58	(10.2)%
Adjustments	(6)	(9)	+31.8%
<b>Italy</b>	<b>230</b>	<b>210</b>	<b>+9.4%</b>
Tobacco & Related	230	210	+9.4%
<b>Corporate &amp; Others</b>	<b>6</b>	<b>6</b>	<b>(0.7)%</b>
<b>Total Economic Sales</b>	<b>1,010</b>	<b>1,029</b>	<b>(1.8)%</b>

(\*) Restated

(€m)	2015	2014 (*)	Δ%
Iberia	98	109	(10.2)%
France	73	78	(6.4)%
Italy	63	45	40.8%
Corporate & Others	(12)	(12)	1.7%
<b>Total Adjusted EBIT</b>	<b>223</b>	<b>221</b>	<b>1.1%</b>

(\*) Restated



(€m)	2015	2014(*)
PP&E and other Fixed Assets	216	224
Net Long Term Financial Assets	9	9
Net Goodwill	919	919
Other Intangible Assets	661	713
Deferred Tax Assets	41	59
Net Inventory	1,061	1,067
Net Receivables	1,768	1,771
Cash & Cash Equivalents	1,803	1,707
<b>Total Assets</b>	<b>6,478</b>	<b>6,469</b>
Group Equity	443	441
Minority interests	2	2
Non Current Liabilities	48	60
Deferred Tax Liabilities	328	357
Short Term Financial Debt	32	32
Short Term Provisions	17	16
Trade and Other Payables	5,608	5,561
<b>Total Liabilities</b>	<b>6,478</b>	<b>6,469</b>

(\*) Restated



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November 2015

