



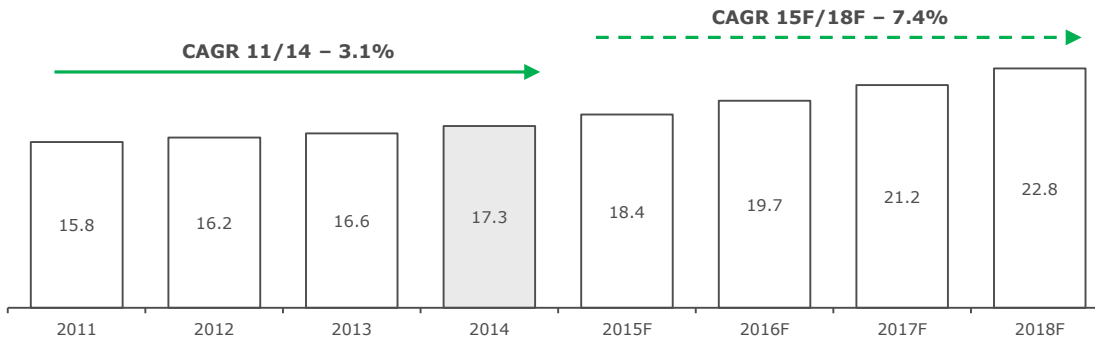
## **Attractiveness of the retail sector for investors**

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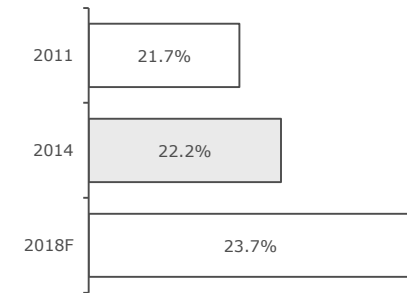
# Global retail sector: USD17 trillion of sales (22% of global GDP)

The global retail sector reached c.USD17 trillion of sales in 2014, c.22% of the world GDP, with Asia and North America being the most relevant markets. The sector is expected to **accelerate its growth in the coming years and reach c.USD23 trillion in 2018** mainly driven by Asia, which will account for c.65% of the market growth

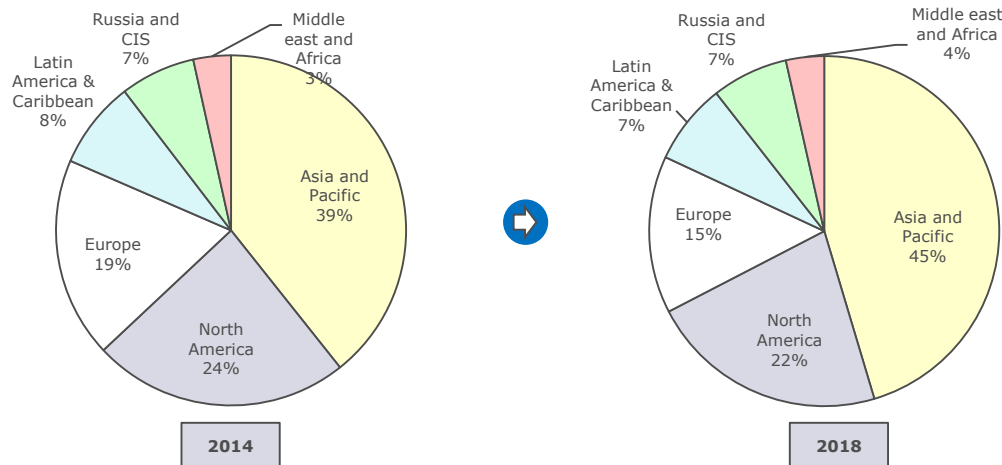
Retail market| USD trillion| 2011-2018



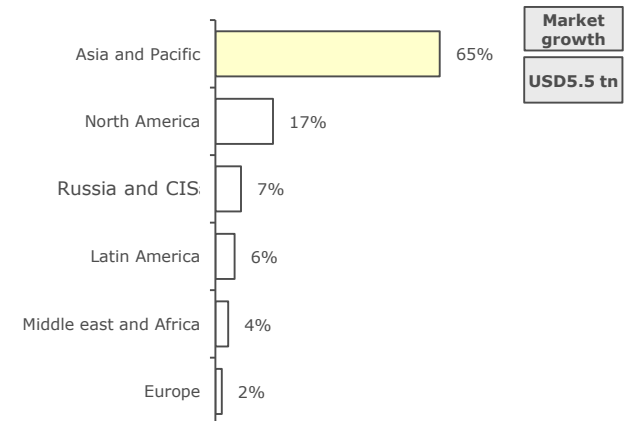
Retail market over global GDP| 2011-2018| %



Retail market by geography| %| 2014-2018



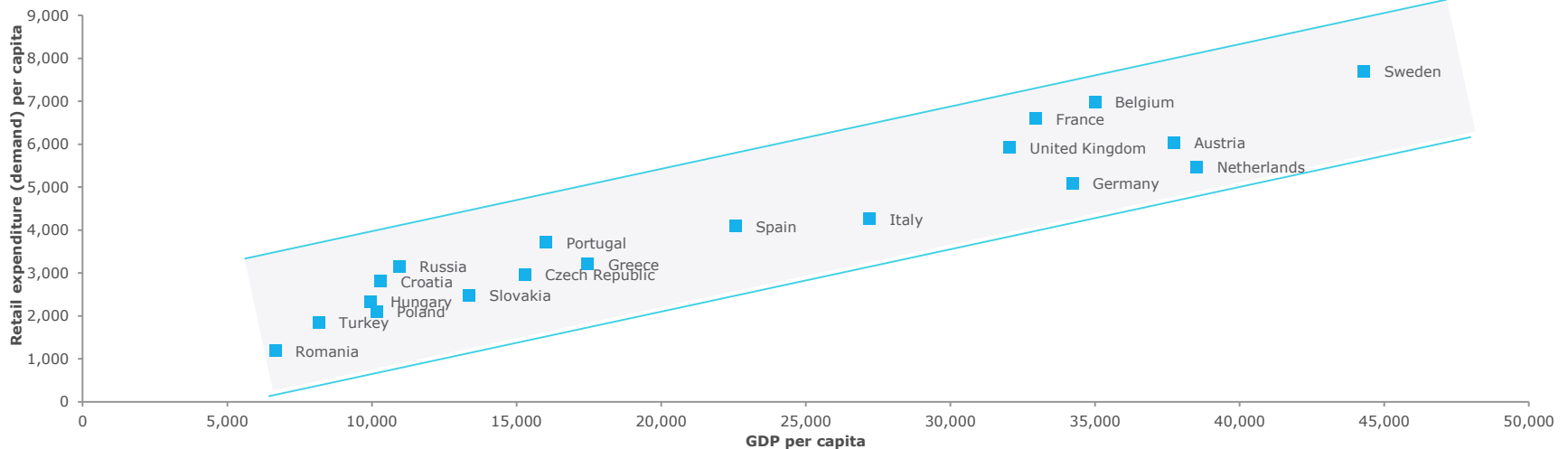
Contribution to market growth| 2014-2018| %



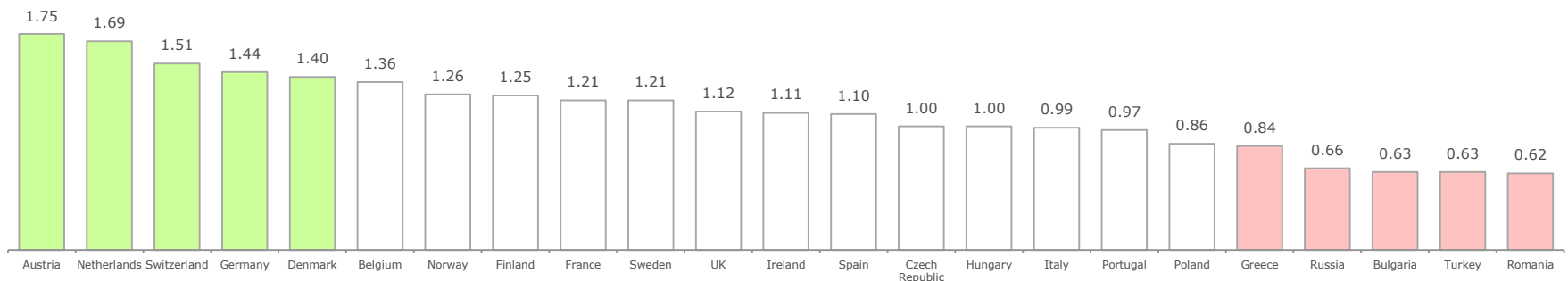
# Economic growth: retail supply and demand are highly correlated with the GDP per capita

- **Retail expenditure is highly correlated with the GDP per capita. Economic growth is a key driver to explain the progression of all retail segments** in different geographies.
- **Supply is also strongly correlated with the economy:** retail densities are substantially higher in richer countries.

## GDP per capita and demand (retail expenditure) correlation in Europe 2012 - EUR



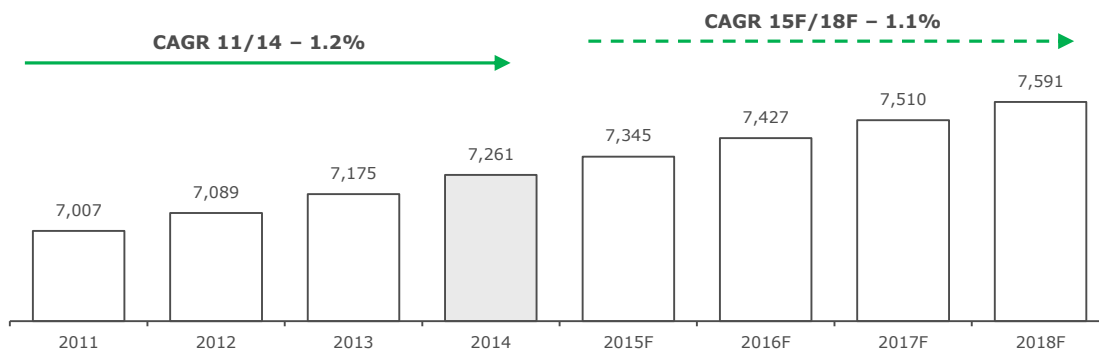
## Retail supply per inhabitant in Europe 2012 – Square meters per inhabitant



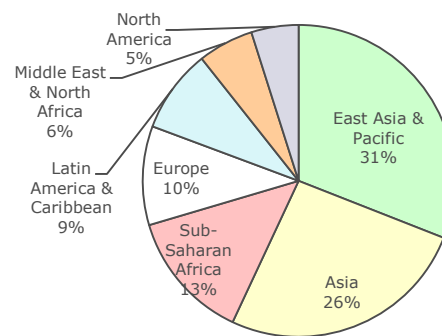
# Demographic growth supports the retail sector

**Global population has been growing at a steady pace (c.1% CAGR), which is expected to remain at the same level in the coming years.** Asia and Africa will be the main contributors to the increase, while Europe will remain stagnated.

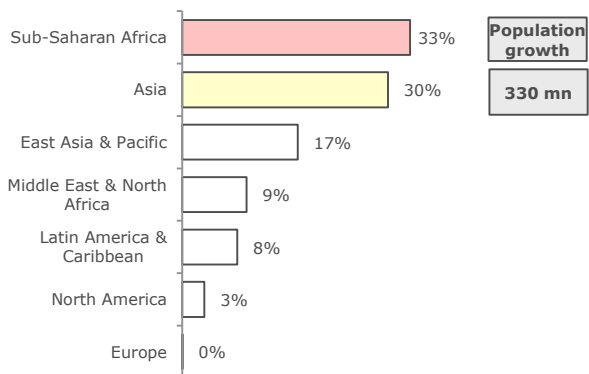
**Global population | mn | 2011-2018F**



**Global population by region | % | 2014**



**Contribution to population growth | % | 2014-2018**

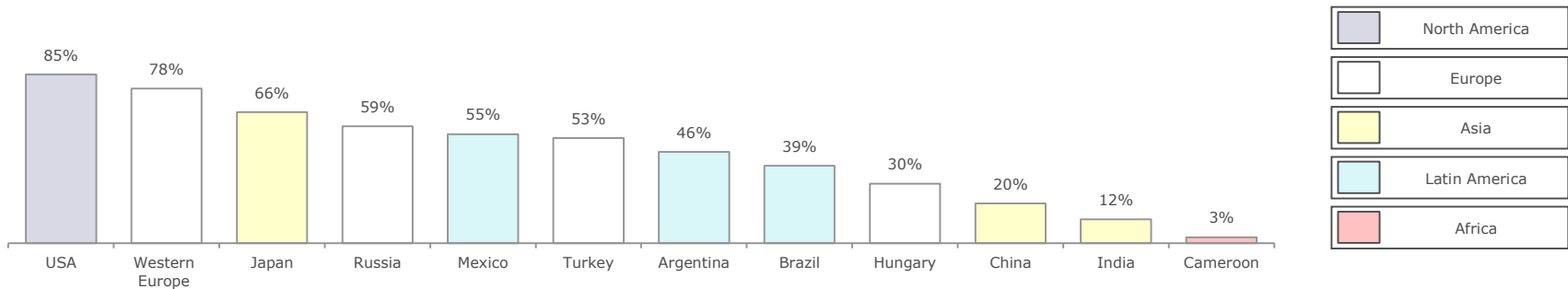


**By 2018, global population is expected to grow by 330 millions of inhabitants compared to 2014. Most of this increase will take place in Africa and Asia.**

# Modernization of traditional retail and market consolidation are growth drivers for modern retailers

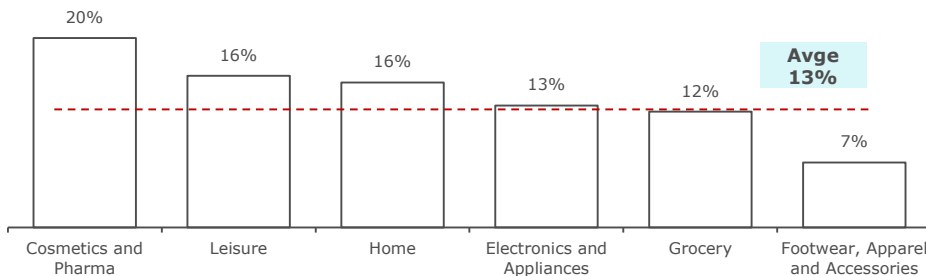
The reduction of the market share of traditionals is a key growth driver for modern players, not only in emerging countries but also in developed economies, where non-organized retail still has a significant weight in the total market.

## Share of organized retail | %

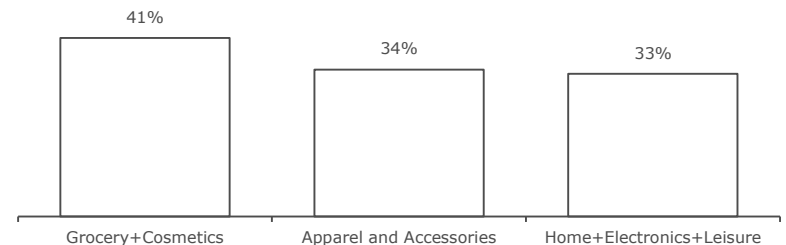


The consolidation of the market (still very fragmented in ALL segments) and a profitable internationalization of winner business models are additional elements to support the growth of retail companies.

## Fragmentation by sector | % share of top 10 groups over total sector



## Domestic only Companies\* by sector | % | 2014

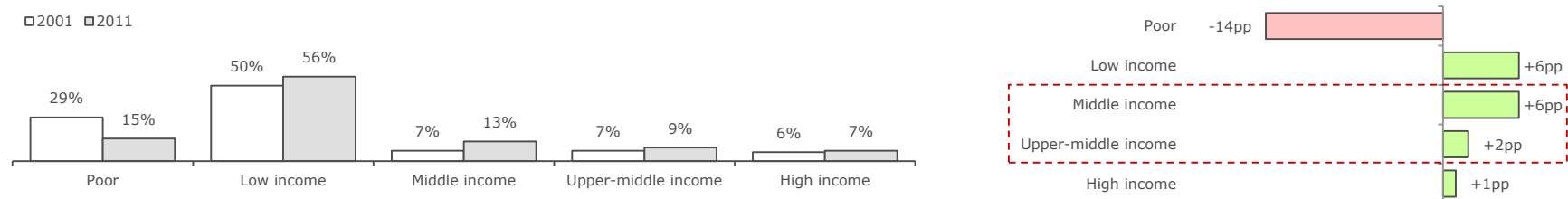


Note(\*): Companies listed in the "Top 250" biggest retail companies

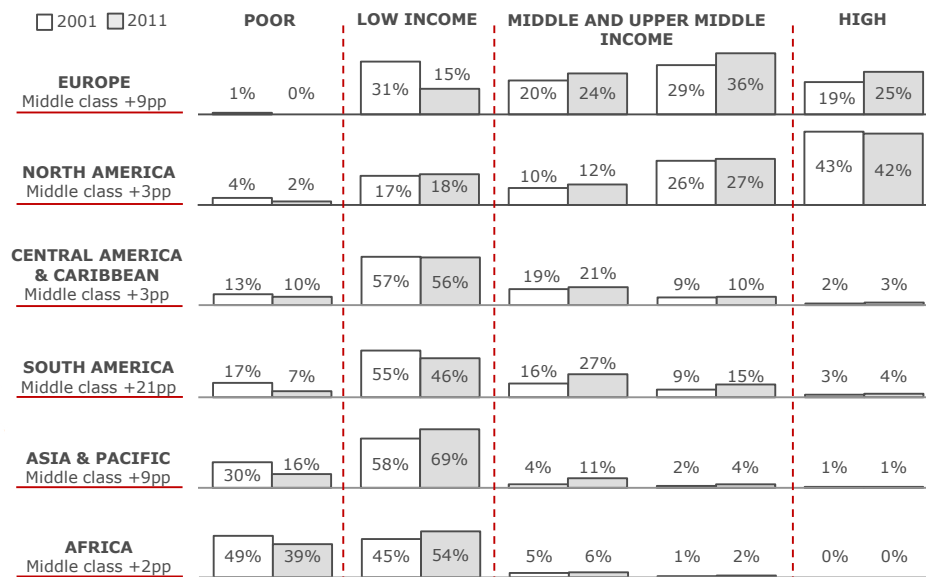
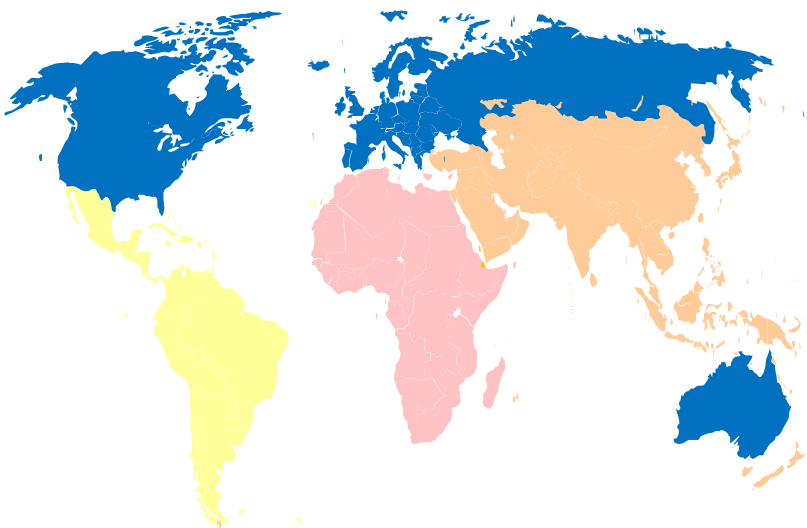
# Social changes: retail expenditure is boosted by the access to modern consumption of the globally raising middle class

Despite middle class being the socio-economic segment that experienced the biggest increase, more than half (56%) of the population is still in the "low income" segment. The improvement of the economic capacity of these new consumers will support the global growth of the retail sector.

## World population by income level (%) 2001-2011



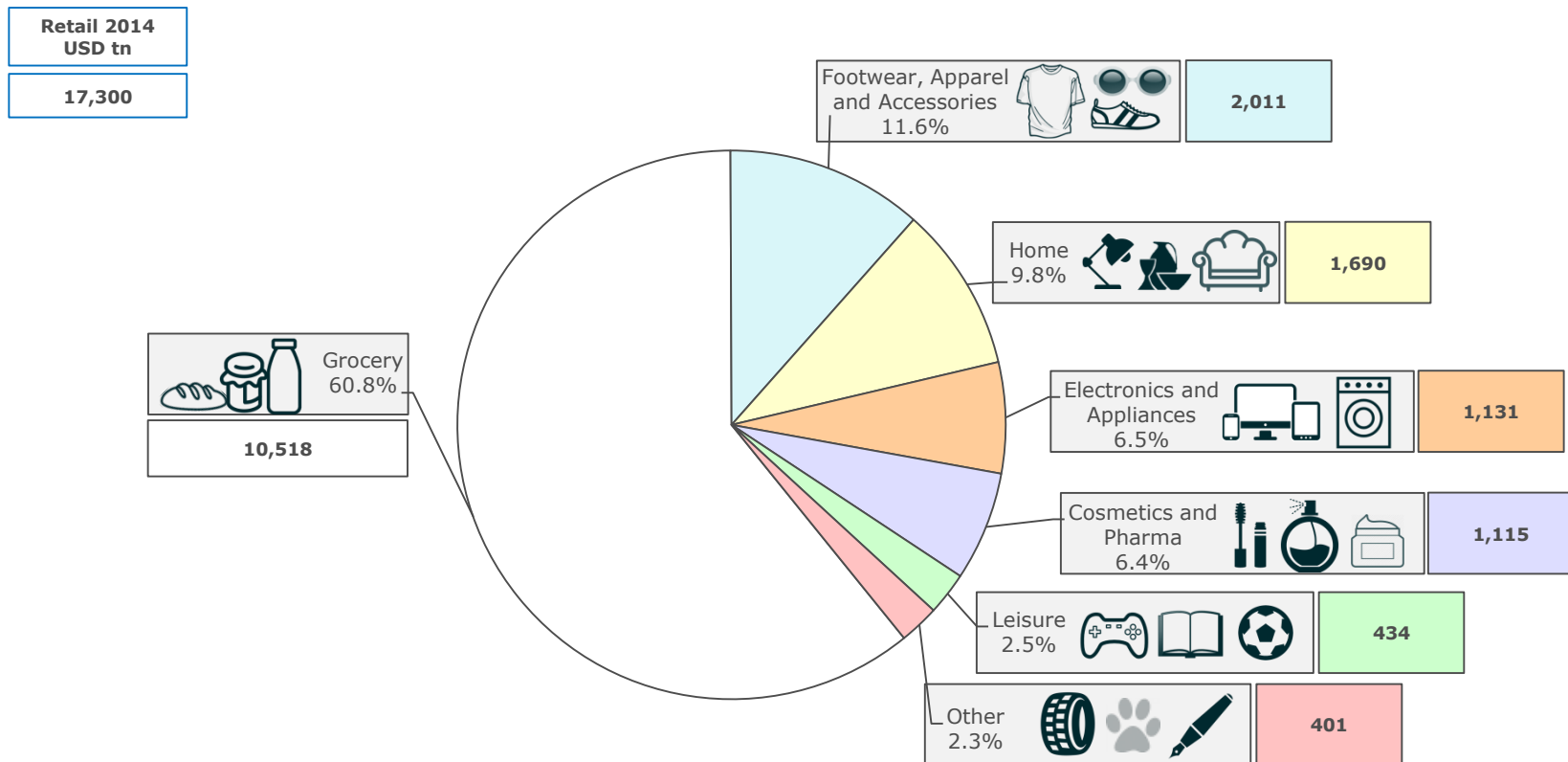
## World population by income level and geography | % | 2001-2011



# Grocery is the largest retail segment (c.61% of total market)

Grocery represents c.61% of the global retail value and amounted to **USD10.5 trillion in 2014**. The rest of the categories follow at a distance with **Footwear, Apparel and Accessories** (c.12% of the total market) and **Home** (c.10%) being the **second and third segments** with highest values respectively

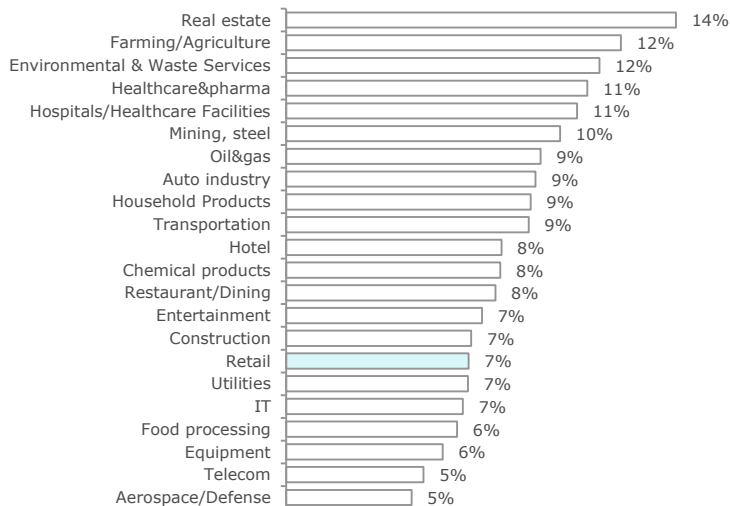
Retail segments | 2014 | value USD bn and %



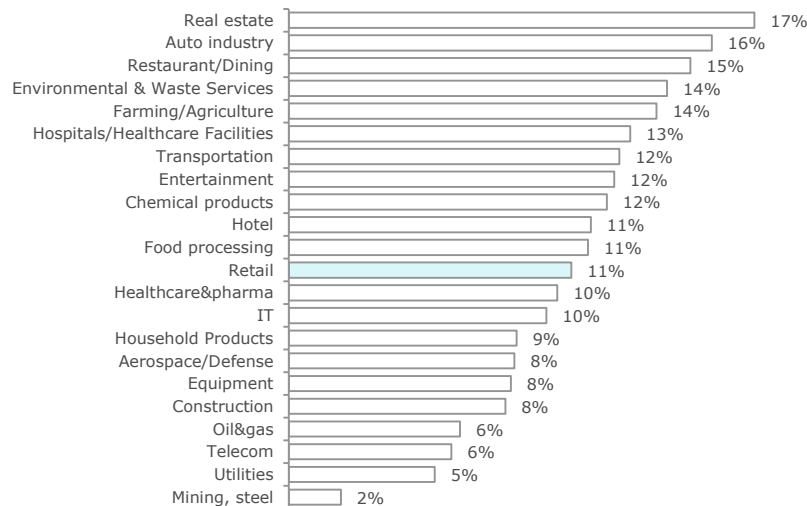
# Retail sector: substantial growth of revenues and net income including developed markets

- Revenues of global listed retail companies have progressed by c.7% p.a. in the last 7 years, while their net incomes have increased by c.11% in the same period.
- Emerging markets are leading the growth in both metrics, however, developed countries are also progressing at a very attractive pace.

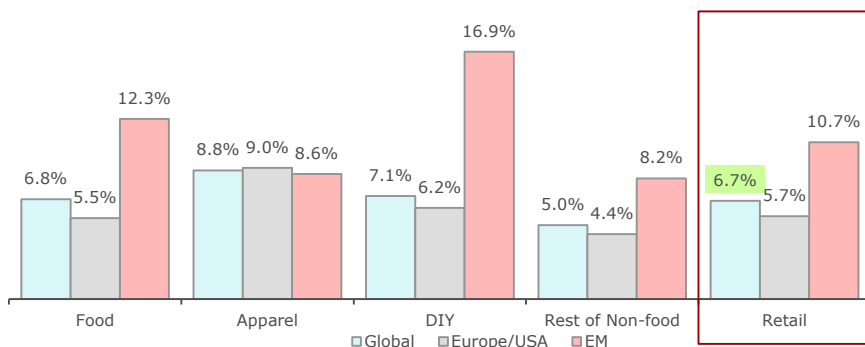
Revenues growth by sector | average 2009-2015 - global figures



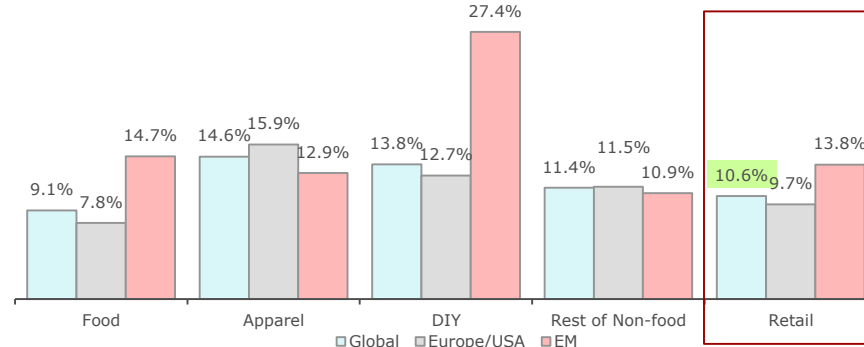
Net income growth by sector | average 2009-2015 - global figures



Revenues growth | average 2009-2015 - Formats by geographic areas



Net income growth | average 2009-2015 - Formats by geographic areas

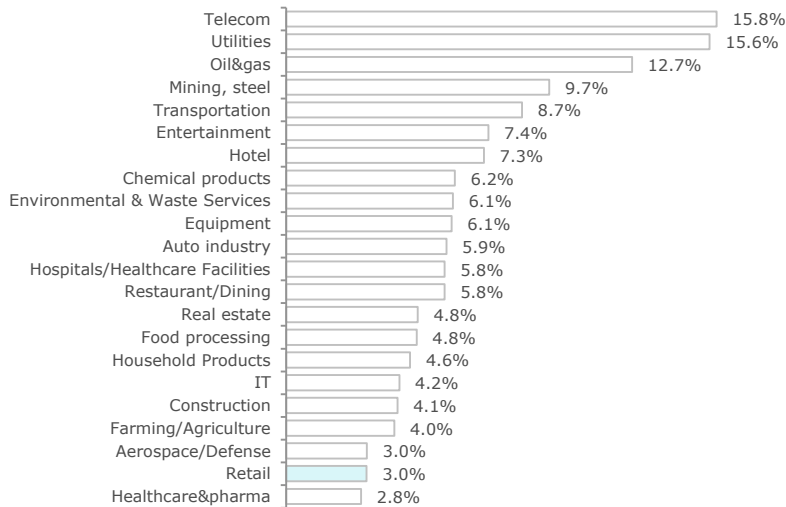




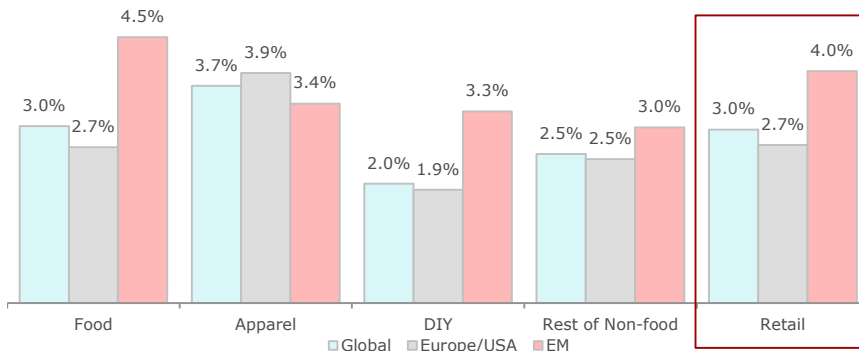
# Retail sector: a very low capital intensive sector

- **Retail is one of the least capital intensive sectors**, due to both its **low CAPEX to sales ratio** and a **limited need of working capital** (average of 5% on net sales).
- **Working capital is negative in the food retail segment**, indicating suppliers are funding part of the investment in fixed assets of these Companies.

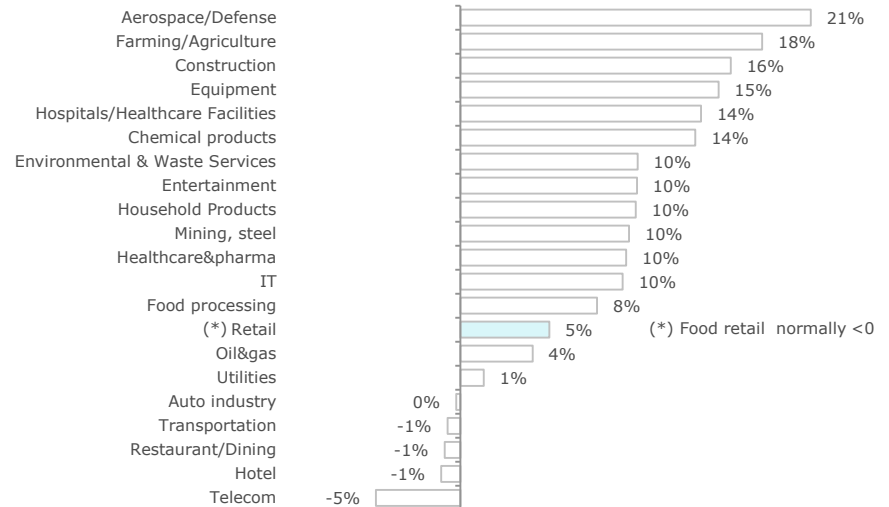
CAPEX/sales % | average 2013-2015 - global figures



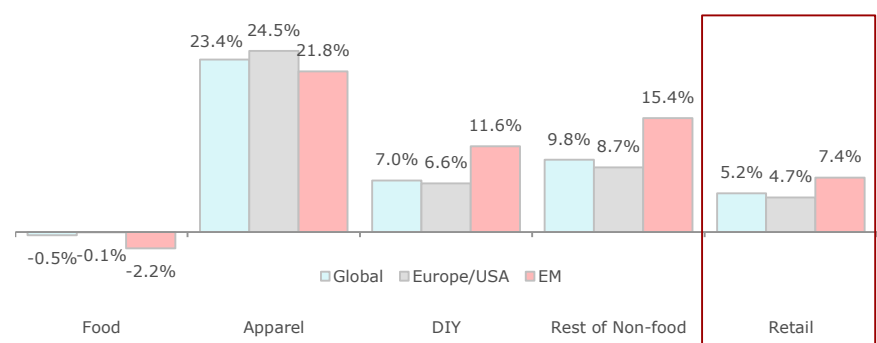
CAPEX/sales % | average 2013-2015 - retail formats by geographic areas



Working Capital/sales % | average 2013-2015 - global figures



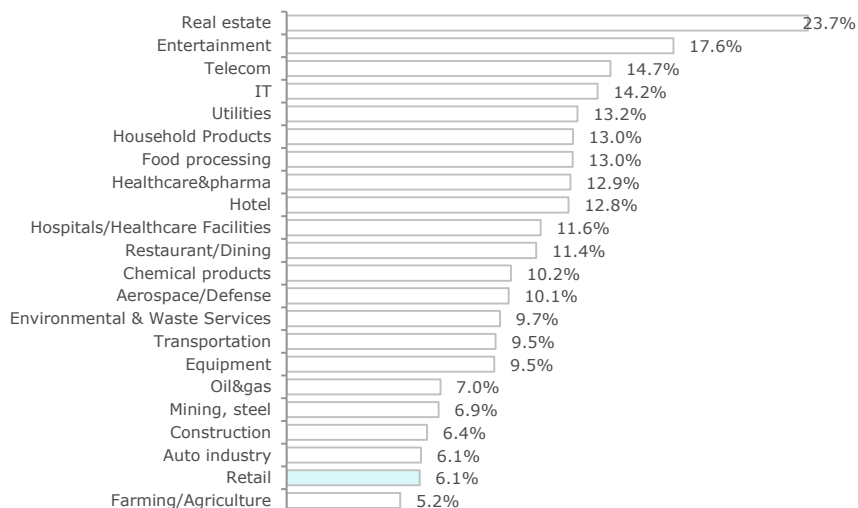
Working Capital/sales % | average 2013-2015 - retail formats by geographic areas



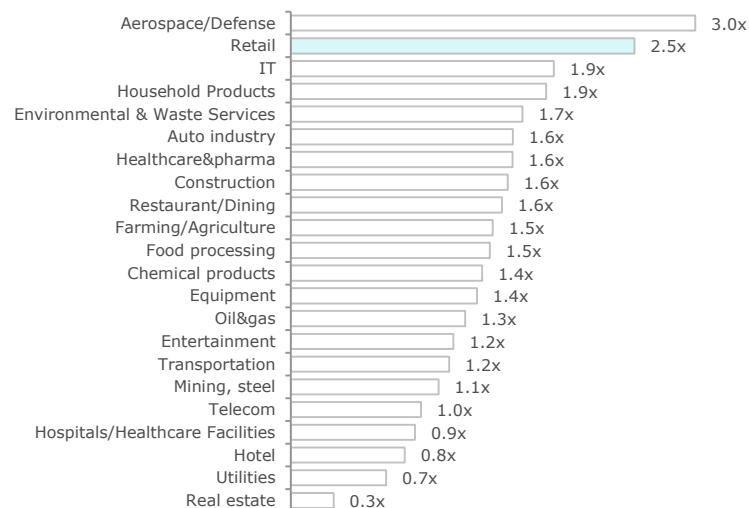
# Retail sector: low EBIT margins but high capital turnover

- **Pre-tax ROCE in retail** is achieved by a **combination of low EBIT margins (6.1% on average)** and a **high capital turnover (2.5x)**.
- **Food** has the **lowest EBIT margin** and the **highest Sales to capital employed ratio** of all retail segments.

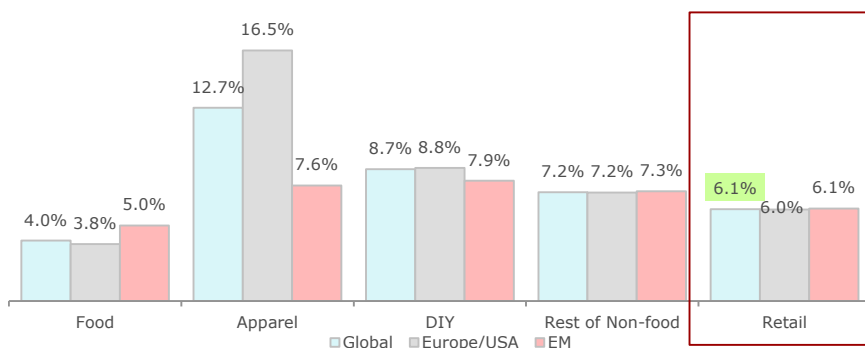
**EBIT Margin | average 2013-2015 - global figures**



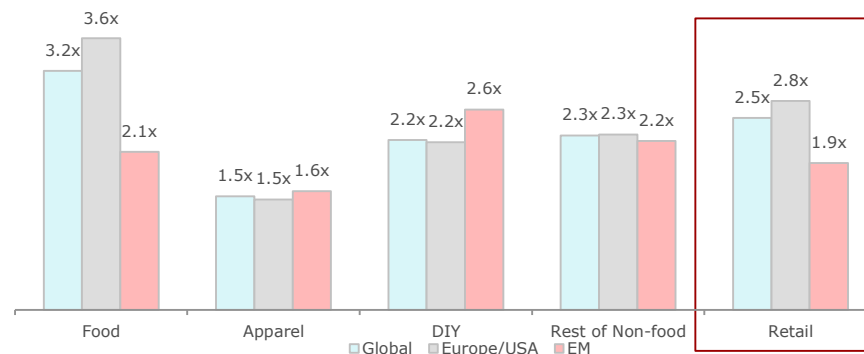
**SALES/Capital employed | average 2013-2015 - global figures**



**EBIT Margin | average 2013-2015 - retail formats by geographic areas**



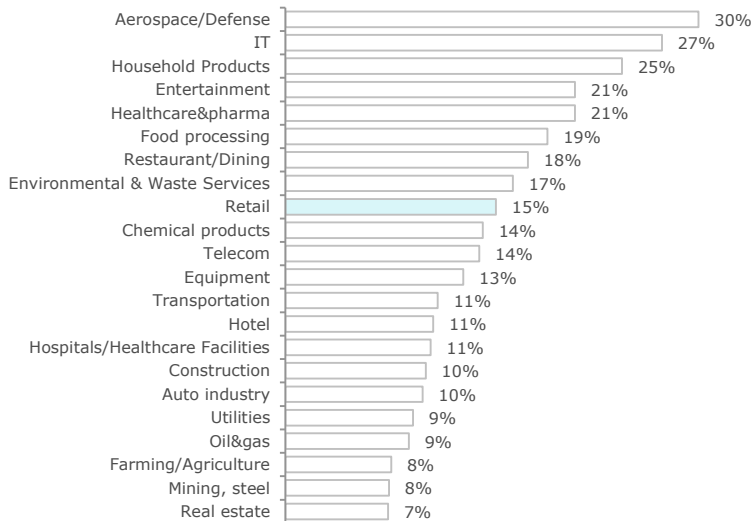
**SALES/Capital employed x | average 2013-2015 - retail formats by geographic areas**



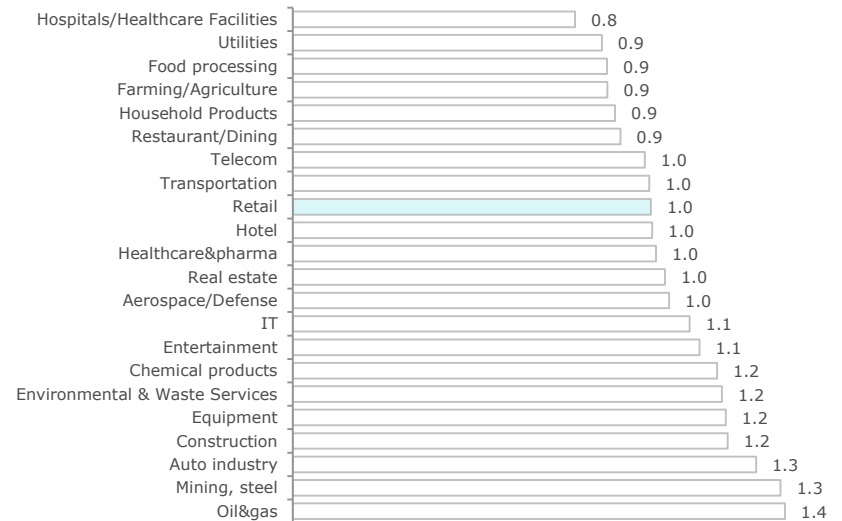
# Retail sector: medium ROCE with low volatility

- Retail yields are on average a **mid-double digit ROCE** with one of the **lowest Betas**.
- **Pre-tax ROCE** of retail companies is **higher in developed countries (17%)** than in **emerging ones (12%)**.
- **Food** has an average **13% ROCE** while the **rest of retail segments** present **figures close to 20%**.

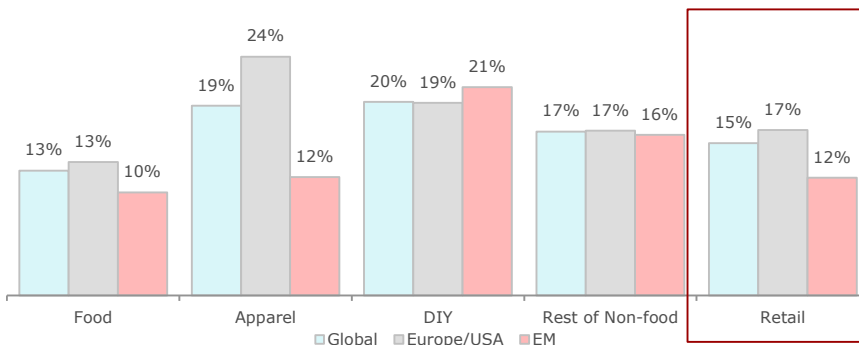
**ROCE (EBIT/Capital employed) | average 2013-2015 - global figures**



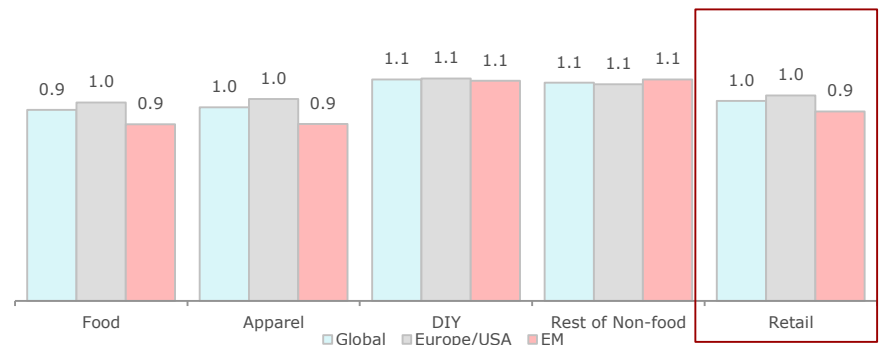
**BETA | average 2011-2015 - global figures**



**ROCE % | average 2013-2015 - retail formats by geographic areas**



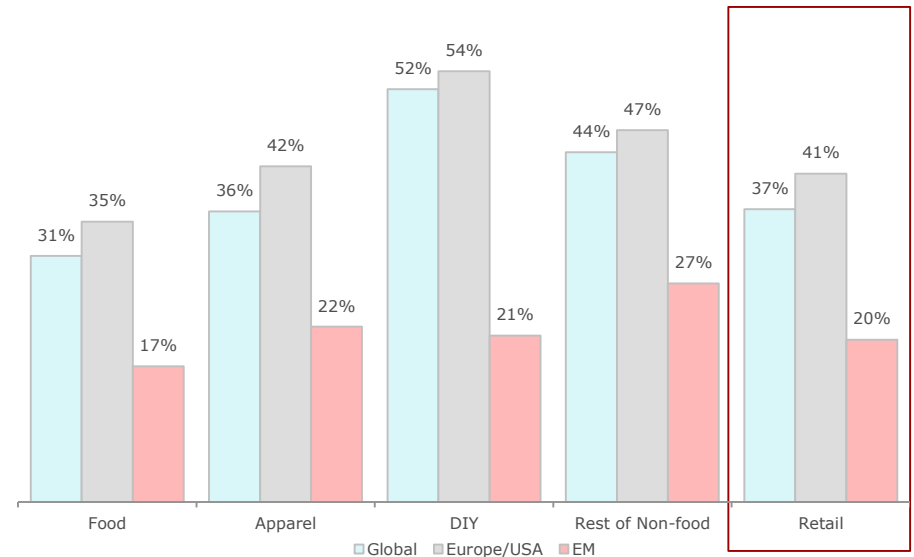
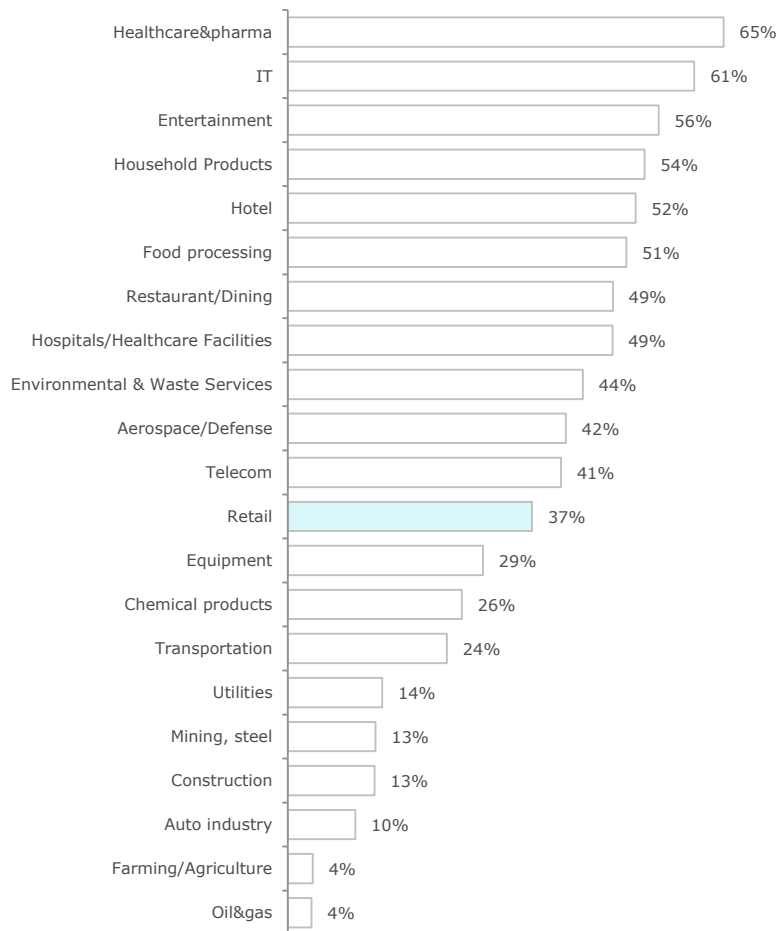
**BETA | average 2011-2015 - retail formats by geographic areas**



# Retail sector: good FCF generation especially in developed markets

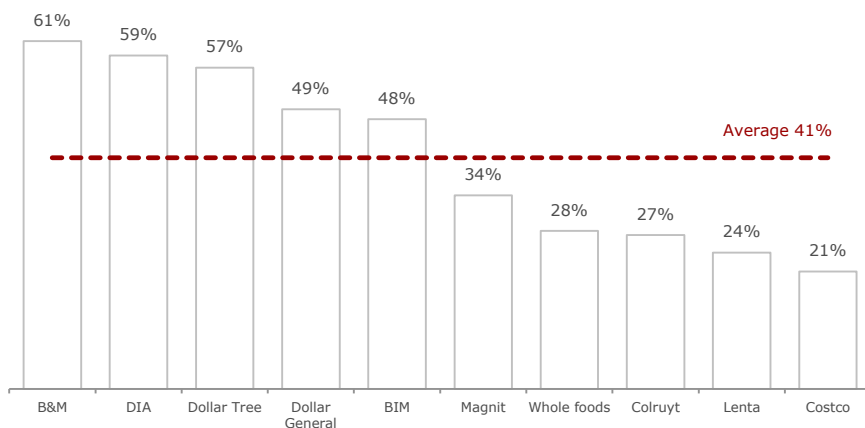
The average **annual FCF generation of the retail sector amounts to 37% of its EBITDA**. This figure is **even higher in developed markets (41%)**, while the **accelerated growth reduces the annual FCF to only 20% of the EBITDA in emerging countries**.

## FCF generation | % of total EBITDA – average 2013-2015 - global figures and breakdown by retail segment and geographic area

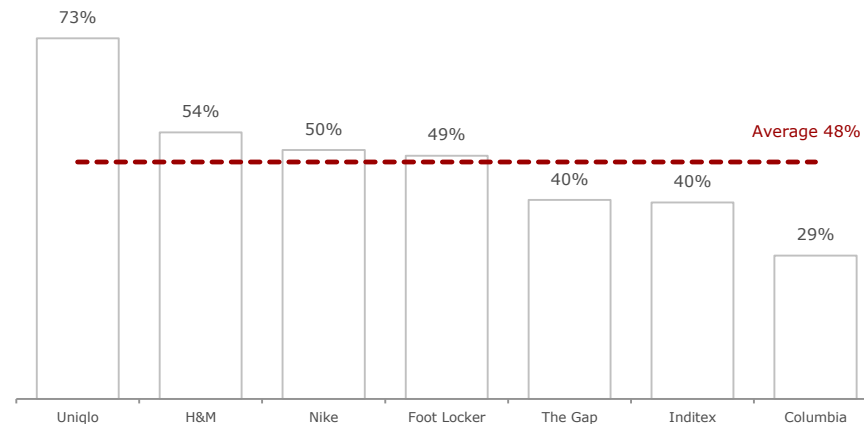


# Retail sector: best in class listed retailers show c.40% ROCE

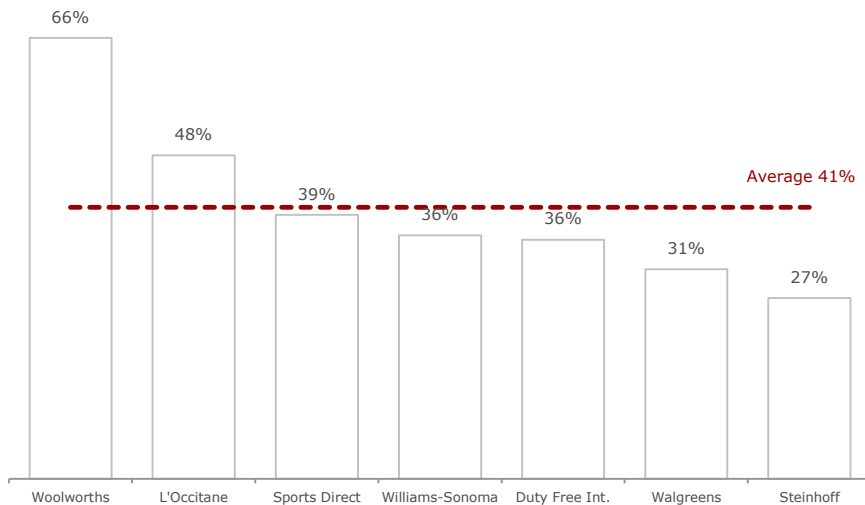
Top ROCE % | 2015 – LISTED FOOD RETAILERS



Top ROCE % | 2015 – LISTED APPAREL RETAILERS



Top ROCE % | 2015 – REST OF SEGMENTS (LISTED)

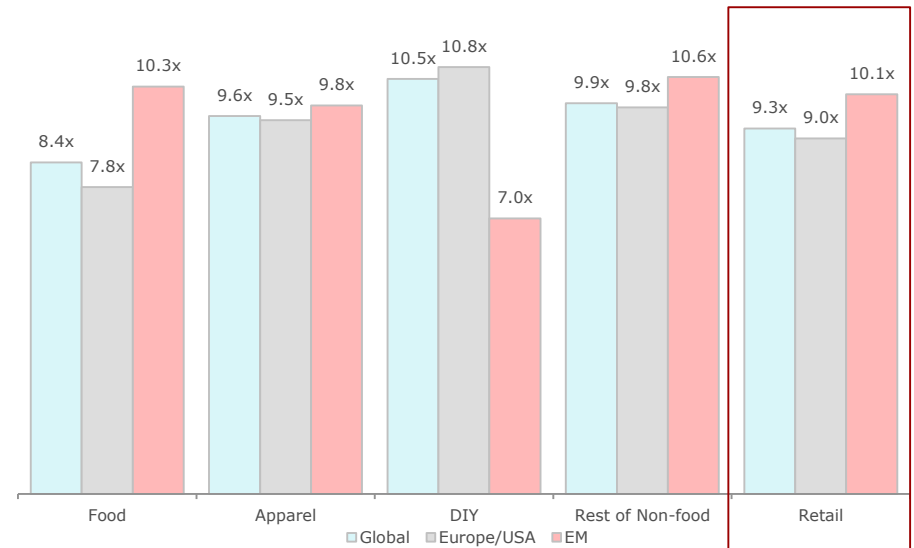
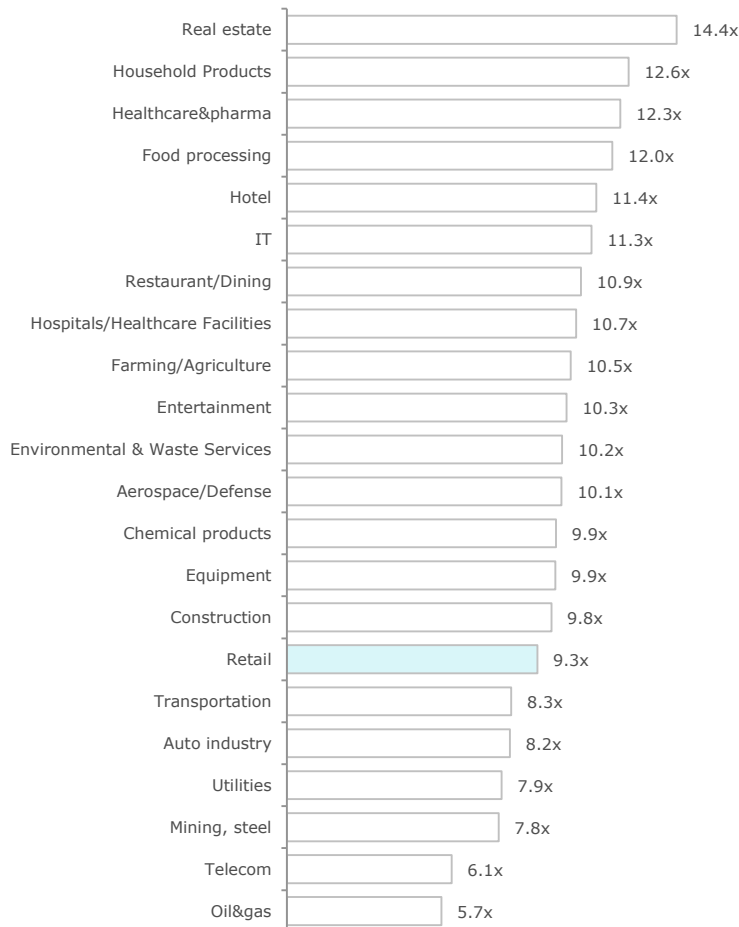


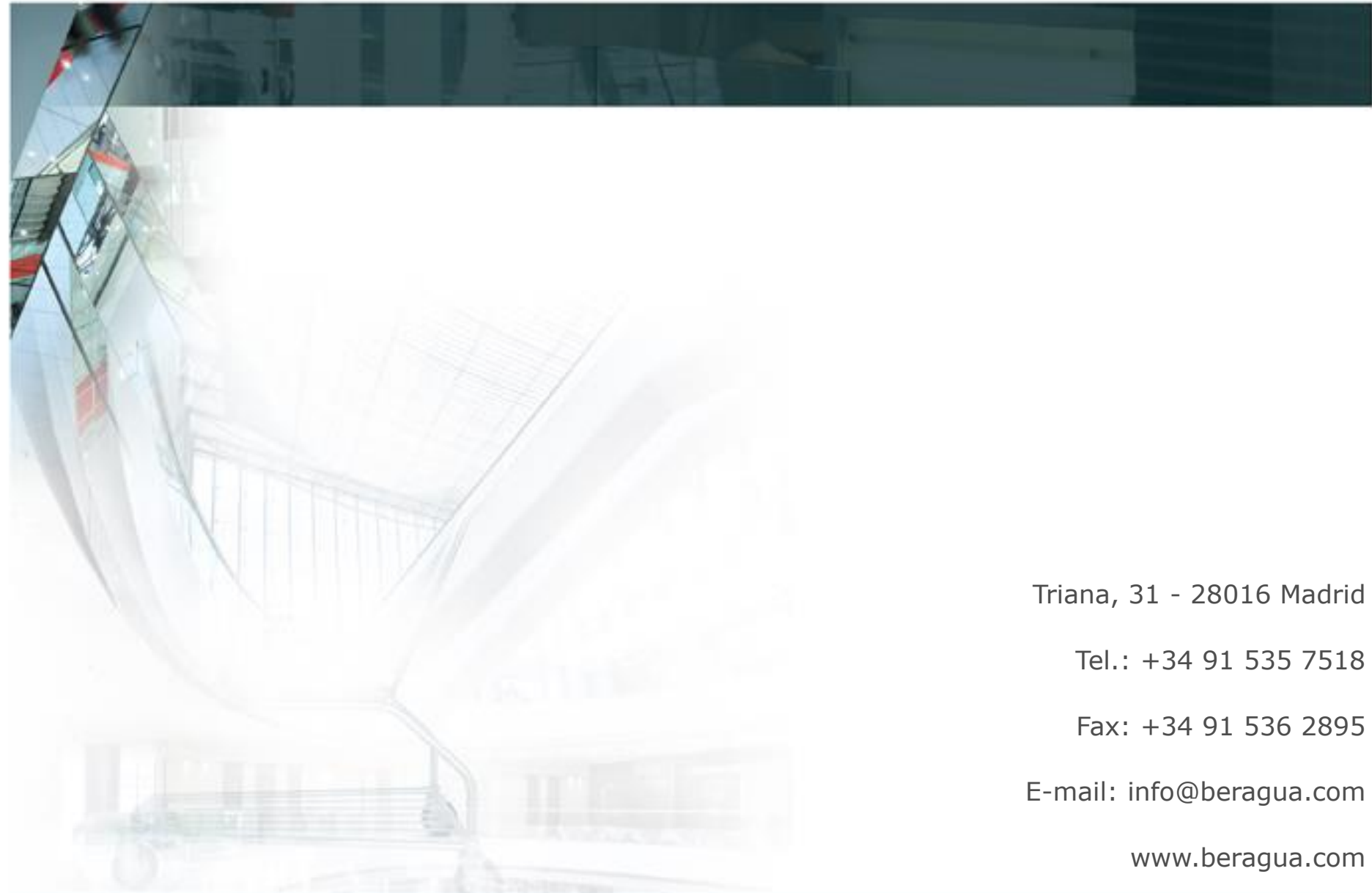
- **Best-in-class listed retailers have substantially higher ROICs than the global average** (between 40-50% depending on the sector).
- The most profitable **listed food players** operate with **ROICs in line with the rest retail segments**.

# Retail sector: valuation 2016 at c.9x EV/EBITDA

- **The average EV/EBITDA** of listed retail Companies for 2016 is **c.9x**, ranging from **c.11x of DIY firms** to **c.8x** in the case of **food retailers**.
- **EV/EBITDA** of retail Companies based in **developed countries** amounted to **c.9x**, compared to **c.10x** in **emerging** ones.

## EV/EBITDA multiple 2016 - global figures and breakdown by retail segment and geographic area





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