



Ahold
Delhaize

US Supply Chain Transformation

December 11, 2019

Overview



- We will invest \$480 million (\$410 million cash impact) over a three-year period to transition the U.S. supply chain network into a fully integrated, self-distribution model
- We will acquire three warehouse assets from C&S Wholesale Grocers, take on new leases on another two facilities, and build two new fully-automated frozen facilities in the Northeast and Mid-Atlantic
- A fully integrated, self-distribution supply chain will enable us to reduce costs, improve speed to shelf, enhance relationships with vendors and improve product availability as well as freshness for customers
- Annual cost savings are expected to be \$60 million in 2022. The ongoing annual benefit on underlying operating income will be more than \$100 million
- Our previous annual free cash flow target of €1.8 billion through 2021 was not inclusive of M&A and transactions such as this

Facilities to be acquired, built, and newly leased



3 acquired facilities from C&S:

Location	Brand Served	Services
York, Pennsylvania (2 DCs)	Giant Food, GIANT/MARTIN'S	Grocery/Frozen
Chester, New York	Stop & Shop	Perishable

2 newly built automated facilities:

Location	Brand Served	Services
Northeast	Stop & Shop	Frozen
Mid-Atlantic	Giant Food, GIANT/MARTIN'S	Frozen

2 newly leased distribution centers:

Location	Brand Served	Services
New warehouse in Manchester, CT (will transition services from 2 unacquired C&S facilities in Newburg, NY and Suffield, CT)	Stop & Shop	Grocery
Leased facility from C&S in Bethlehem, Pennsylvania; leased facility to transition to our systems and our control	Giant Food, GIANT/MARTIN'S, Stop & Shop	Grocery

The moves add to current ownership of distribution centers



Traditional distribution centers:

Location	Brand Served	Services
South Portland, Maine (Scarborough)	Hannaford	Perishable/Grocery/Frozen
Winthrop, Maine	Hannaford	Break Pack
Assonet, Mass. (Freetown)	Stop & Shop	Grocery/Perishable
Jessup, Maryland	Giant Food	Perishable
Salisbury, North Carolina	Food Lion	Perishable/Grocery/Frozen
Dunn, North Carolina	Food Lion	Perishable/Grocery/Frozen
Butner, North Carolina	Food Lion	Break Pack/Frozen
Schodack, New York	Hannaford	Perishable/Grocery/Frozen
Greencastle, Pennsylvania	Food Lion	Perishable/Grocery/Frozen
Carlisle, Pennsylvania	GIANT/MARTIN'S	Perishable
Elloree, South Carolina	Food Lion	Perishable/Grocery/Frozen
Disputanta, Virginia	Food Lion	Perishable/Grocery/Frozen

E-commerce distribution centers:

Location	Brand Served	Services
Jersey City, New Jersey	Stop & Shop	Perishable/Grocery/Frozen
Hanover, Maryland	Giant Food	Perishable/Grocery/Frozen
Lake Zurich, Illinois	Peapod	Perishable/Grocery/Frozen

US Segment Financial Implications



\$ in million	2020	2021	2022	2023+
Impact to underlying operating profit, excluding transition expenses	0	0	\$60	\$100+
Impact to underlying operating margin, excluding transition expenses*	0	0	+13 bps	+22 bps
Transition Expenses**	\$50	\$50	\$60	0
Net impact to underlying operating income, including transition expenses	(\$50)	(\$50)	0	\$100+
Net impact to underlying operating margin, including transition expenses*	~(11) bps	~(11) bps	0	+22 bps
Capital expenditure impact	\$300	\$50	\$60	-

*Assumes consistent revenue through 2023

**Includes legal/consulting, IT transition, procurement and replenishment transition costs as well as facility start-up costs. We also estimate a \$4 million impact from transition costs in 2019, which does not materially affect our previously issued outlook for the year

Group Level Financial Implications



€ in million*	2020	2021	2022	2023+
Impact to underlying operating profit, excluding transition expenses	0	0	€54	€90+
Impact to underlying operating margin, excluding transition expenses**	0	0	+8 bps	+14 bps
Transition Expenses***	€45	€45	€54	0
Net impact to underlying operating income, including transition expenses	(€45)	(€45)	0	€90+
Net impact to underlying operating margin, including transition expenses**	~(7) bps	~(7) bps	0	+14 bps
Capital expenditure impact	€270	€45	€54	-

*Assumes EUR/USD rate of 1.11

**Assumes consistent revenue through 2023

***Includes legal/consulting, IT transition, procurement and replenishment transition costs as well as facility start-up costs. We also estimate a €3.6 million impact from transition costs in 2019, which does not materially affect our previously issued outlook for the year

Wrap-up



- We are investing to create a fully integrated, self-distribution model. This will provide the infrastructure needed to support our omnichannel growth plans
- Annual cost savings are expected to be \$60 million in 2022. The ongoing annual benefit on underlying operating income will be more than \$100 million
- Excluding transition expenses, the impact would be neutral to US underlying operating margin in both 2020 and 2021, and accretive in 2022 and beyond
- We reiterate plans to spend approximately 3% of sales on capital expenditures on top of this transaction, over the next few years
- Previously issued 2019 guidance is not materially effected by the transition

Cautionary notice



This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as will, expected, to be, will be, target, to be acquired, built and newly leased, to create, expected to be, to spend, 2019 guidance 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 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.