

Axfood

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Axfood Capital Markets Day 2021: Raised profitability target: Willys' e-commerce to break even before the end of the year

Today, 16 December, Axfood is holding a Capital Markets Day beginning at 1:00 p.m. CET. The topics presented at the Capital Markets Day will include the Group's new raised profitability target and more detailed information on ongoing investments for the future that will form the basis for long-term, profitable and sustainable growth. The Group will discuss the fact that Willys' e-commerce is expected to break even before the end of the year, that other store concepts are strengthening their position and how comprehensive investments in logistics and automation are leading to cost savings and an efficient and sustainable logistics platform for many years to come.

"We are maintaining a high tempo in the development of all aspects of the Group and will continue to make major strides forward in the next few years. We are maintaining a strong focus on further improving our competitiveness through our portfolio of strong and distinctive brands, and the acquisition of Bergendahls Food and the partnership with City Gross will also lead to exciting new possibilities to develop our offering of affordable, good and sustainable food. We are also continuing to develop an optimised logistics platform, with further automation, an increased share of digitisation and a more data-driven approach. With these investments, we will continue to grow quicker than the market and become even more efficient, allowing us to raise our long-term profitability target and demonstrating the effectiveness of our actions," says **Klas Balkow**, President and CEO of Axfood.

A family of different concepts in collaboration: Willys' e-commerce to break even before the end of the year

Axfood's different concepts continue to develop and strengthen their market positions. With its unique position and strong brand, Willys is increasing its market share and attracting a growing number of consumers. Recently, the Willys Plus loyalty programme surpassed the three million member mark. Willys also has a strong position in e-commerce, and with a clear and competitive offering, its e-commerce profitability is expected to break even before the end of the year.

"We have a successful e-commerce platform that has grown considerably faster than the market in the past few years, and we expect to break even in e-commerce before the end of the year. Profitability in e-commerce is a difficult nut to crack, particularly for home deliveries, which are particularly cost intensive. With a significant focus on the omni-channel experience both in-store and online, the impressive success of the Willys Hämta in-store pick-up solution and a transparent payment model, we can now achieve this major milestone," says **Thomas Evertsson**, CEO of Willys.

Hemköp is continuing to develop its concept, and with its distinctive sustainability profile and the Klubb Hemköp loyalty programme, customer loyalty continues to increase. Snabbgross's concept, customer base and market share have been strengthened during the year, and the membership-based Snabbgross Club concept is creating entirely new growth opportunities.

Through its partnership and minority stake in City Gross, Axfood is further increasing its reach while also creating new opportunities for City Gross to further develop its concept and grow organically as well as through new establishments.

Strategic partnership with Mathem

Earlier in the week, it was announced that Axfood was entering into a strategic partnership with Mathem and will become a co-owner of the company as Axfood divests Mat.se in exchange for shares in Mathem, thereby merging two strong pure-play online retailers offering home deliveries. At the same time, Mathem is entering into a long-term delivery partnership with Axfood's purchasing and logistics company Dagab. The purchase consideration for Mat.se amounts to SEK 688 m on a cash and debt-free basis, and payment will take place through newly issued shares in Mathem corresponding to a shareholding of 16.5%.

Optimisation of future logistics platform leading to major cost savings

To develop an even more sustainable, efficient and competitive product supply, Axfood is now making major strides and solidifying the foundation for a top-class nationwide logistics platform for many years to come. In addition to its investment in the new, highly automated logistics centre in Bålsta outside Stockholm, the Group is also investing in a new, automated e-commerce warehouse in Backa in Gothenburg, expanding and automating the existing high-bay warehouse in Backa, and automating its new, large-scale nationwide warehouse for fruits and vegetables, on which construction recently commenced in Landskrona. These investments are expected to result in efficiency improvements starting in 2024. The efficiency improvements are expected to amount to between SEK 200 and 300 m per year from 2025 and thereafter increase to between SEK 300 and 400 m per year from 2027.

"The investments in our logistics platform will ensure a nationwide, efficient and sustainable solution, resulting in significant cost savings and providing us with the conditions to maintain profitable growth. We are developing a modern product flow with a significantly higher share of automation, thereby improving the customer offering and customer meeting," says **Nicholas Pettersson**, CEO of Axfood's logistics and purchasing company Dagab.

Investments of between SEK 2.6 and 2.7 billion in 2022 and a more rapid pace of establishment of new stores

Axfood's capital expenditures in 2022 are expected to amount to between SEK 2.6 and 2.7 billion excluding acquisitions and right-of-use assets, of which SEK 1.3 m pertains to the logistics centre in Bålsta (the majority of which concerns partial payment for an automation solution), SEK 100 m pertains to the nationwide warehouse for fruits and vegetables in Landskrona (the majority of which concerns partial payment for an automation solution), and SEK 110 m pertains to IT costs related to the acquisition of Bergendahls. During 2022, Axfood plans to increase its rate of expansion and establish 8-13 new stores. In 2022, Axfood's operating profit will be charged with structural costs totalling approximately SEK 340 m connected to the new logistics centre in Bålsta and the integration of Bergendahls Food, the majority of which is expected to be incurred in the second half of 2022.

Raised profitability target and ambitious sustainability targets

Axfood has exceeded its profitability target of a long-term operating margin of at least 4% since 2015. As a consequence of the acquisition of Bergendahls Food, which has led to increased wholesale volumes and non-recurring costs connected to integration, margins will be somewhat lower for a period. With the investments that are now being made in logistics, together with the development of our chains, favourable conditions have been created for increased profitability over time. Axfood is therefore raising its profitability target to a long-term operating margin of at least 4.5%.

Axfood's financial targets for growth and financial position remain unchanged. This is also true for the Group's ambitious sustainability targets, which include the climate-based ambition of net zero emissions from own operations by 2030 at the latest, reducing food waste by 50% in own operations by 2025 (base year 2015) and an even gender distribution in senior positions.

Webcast

Axfood's Capital Markets Day will be held digitally in Swedish with a real-time English translation and be broadcast live for registered participants at 1:00 p.m. today. You can find a link to the webcast at <https://www.axfood.com/investors/>. Participants will also have the chance to ask questions during the event. A recording of the Capital Markets Day and presentation material will be made available following the event.

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Axfood aspires to be the leader in good and sustainable food. Our family of companies includes the store chains Willys and Hemköp as well as Tempo and Handlar'n. B2B sales are handled through Snabbgross, and our support company Dagab is responsible for the Group's product development, purchasing and logistics. The Axfood family also includes Mat.se, Middagsfrid and Urban Deli as well as the partly owned companies Apohem, Eurocash and City Gross. Together the Group has more than 12,000 employees and sales of more than SEK 54 bn. Axfood has been listed on Nasdaq Stockholm since 1997, and the principal owner is Axel Johnson AB. Read more at www.axfood.se.