

# Shufersal

## Investor Presentation

September 2008



## Shufersal, Israel's leading retail group

Strong infrastructure for future growth and profitability

Financial results

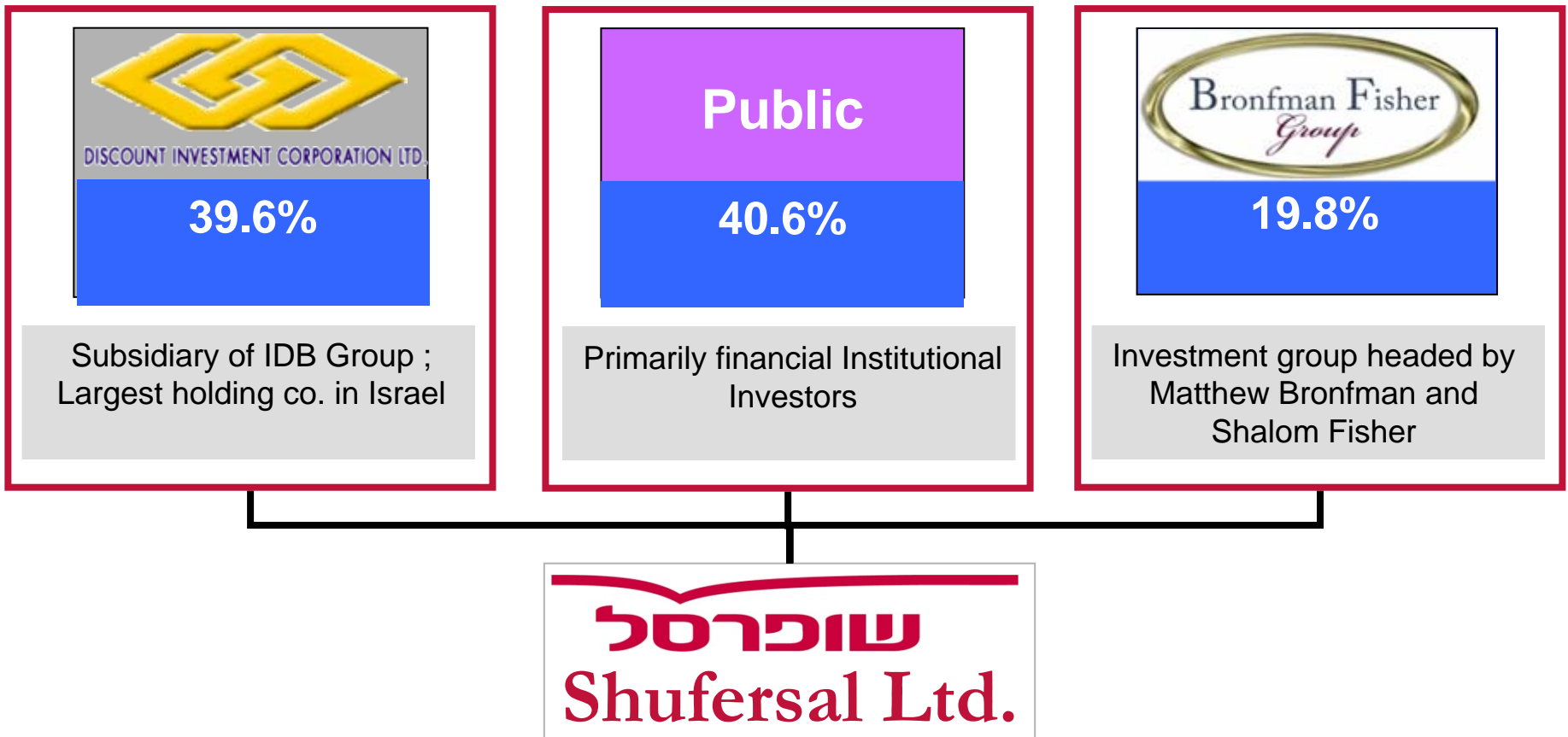
# Shufersal



- Israel's first and leading retail chain; est. 1958
- Strong operating profit CAGR of 63% ('04-'07)
- Average annual dividend yield of 10.8% ('05-'08)
- Listed on Tel Aviv Stock Exchange (SAE,TA) – Mkt. Cap. \$1 bn; Rated (AA) by S&P Maalot
- Seasoned, experienced, management team



# Shufersal Shareholder Structure

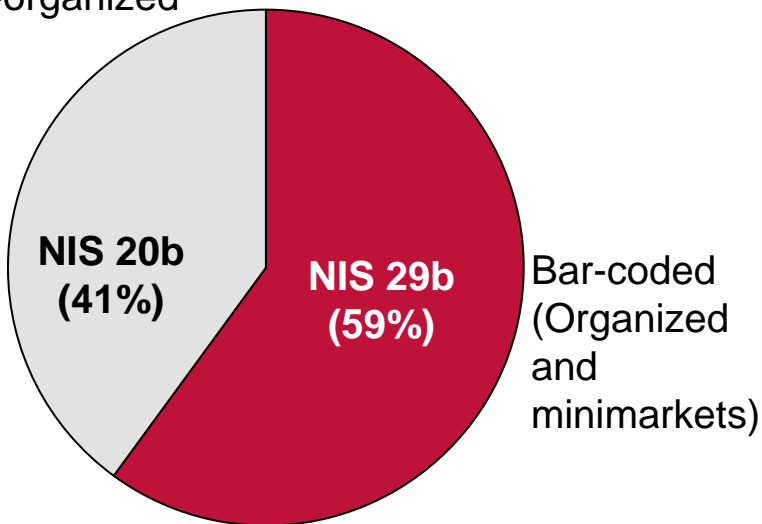


# Shufersal is the Dominant Leader in the Organized Market

Israeli Retail Market, 2007

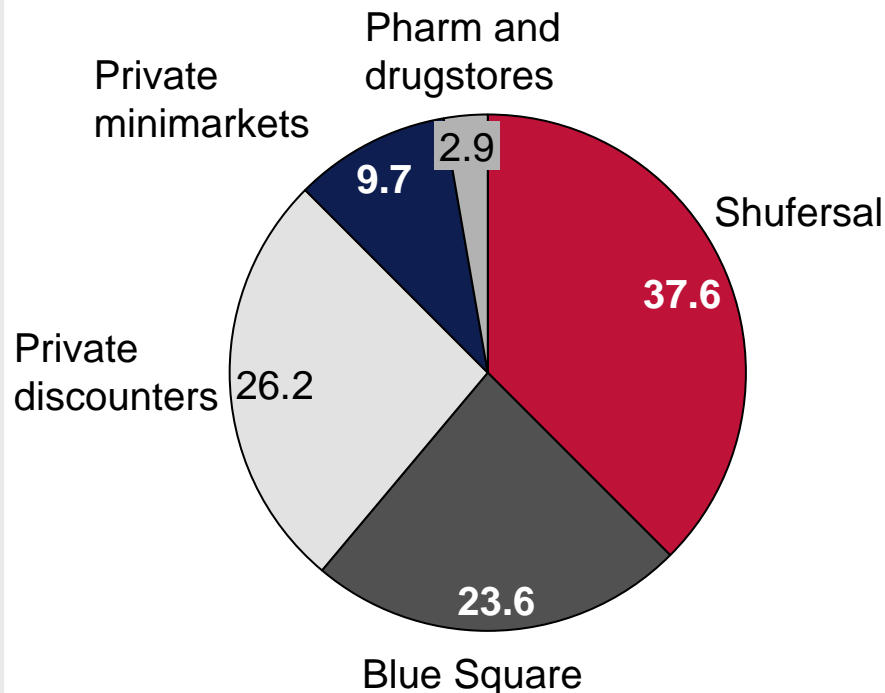
100%=NIS49bn

Non-organized



Organized Market Landscape, 2007

%



Shufersal, Israel's leading retail group



**Strong infrastructure for future growth and profitability**

Financial results

# Undergone Complete Transformation since 2003

## Prior to IDB Group Change of Control in 2003

- No clear format and branding strategy
- Negative LFL (-14.6% Q1/03)
- Net loss of NIS 136m in 2003

## 2003 - 2007

- Nominated new management
- Structured and launched new format strategy
- Acquired Clubmarket, 3<sup>rd</sup> largest player, cementing leadership
- Launched Private Label and credit card
- Launched special segment formats (H.D)
- Re-launched loyalty program

## H1/2008

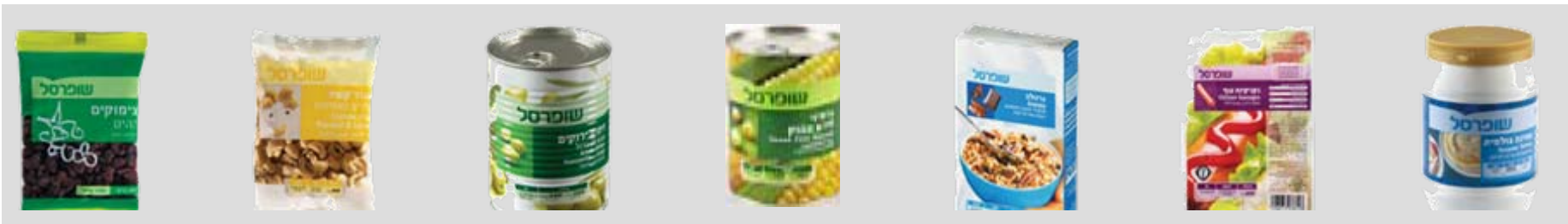
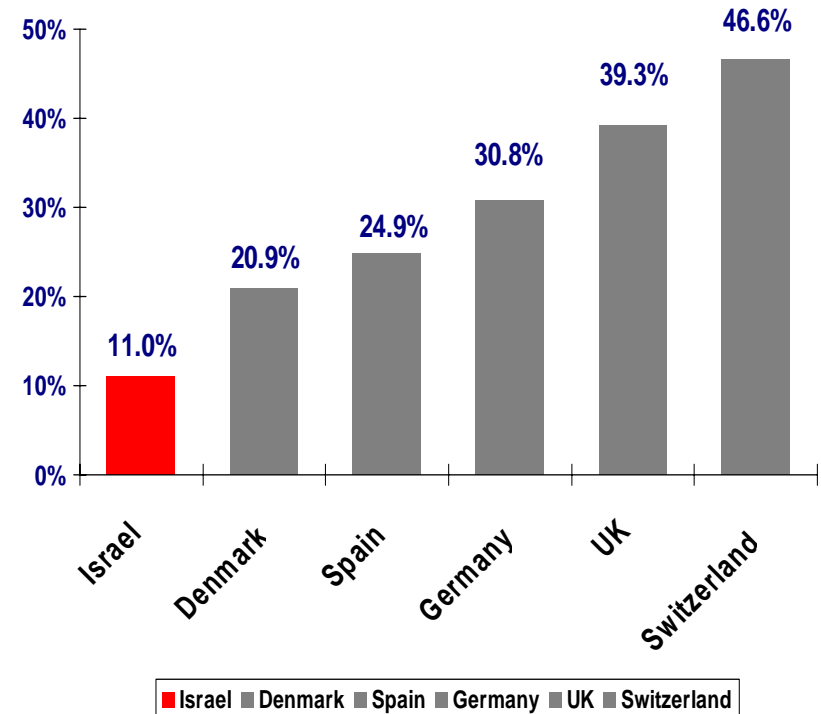
- Operating margin 5.4%
- Net profit 3.2%; reaches NIS173m

# Driving Growth by Leveraging Multi-Formats



# Shufersal's Private Label

- ◉ Shufersal launched its private label "Shufersal" in 2006
- ◉ Today there are over 900 "Shufersal" products expected to reach 1,000 products, by end of 2008
- ◉ 11% of revenues - aiming for levels similar to European benchmarks



# The Shufersal Loyalty Club

- ◉ Covering close to 80% of turnover
- ◉ More than 1.1 million subscribers
- ◉ Leveraging shopper insights and segmented marketing as a competitive advantage



# The Shufersal Credit Card

- ◀ Subscribed 180,000 cards since launch in H2/2006
- ◀ Share of wallet growth driver for Shufersal's loyal subscribers



**Strategic partnership with:**

**Paz (20%)** - Energy group and leading gas retailer

**Leumi Card Visa (16%)** - Fastest growing credit card player in Israel

# Non-Food Department



- Value for money proposition in all 4 NF domains:
  - ◀◀ Consumer electronics
  - ◀◀ Apparel and textile
  - ◀◀ Houseware and DIY
  - ◀◀ Bazaar and seasonal
- Partnership model with leading brands and distributors such as **CHEROKEE**

# Shufersal On-Line



- An online store established in 1989
- Multiple channel service
- Leading online grocery retail sales channel in Israel today
- Nationwide coverage from 15 selected points of sale

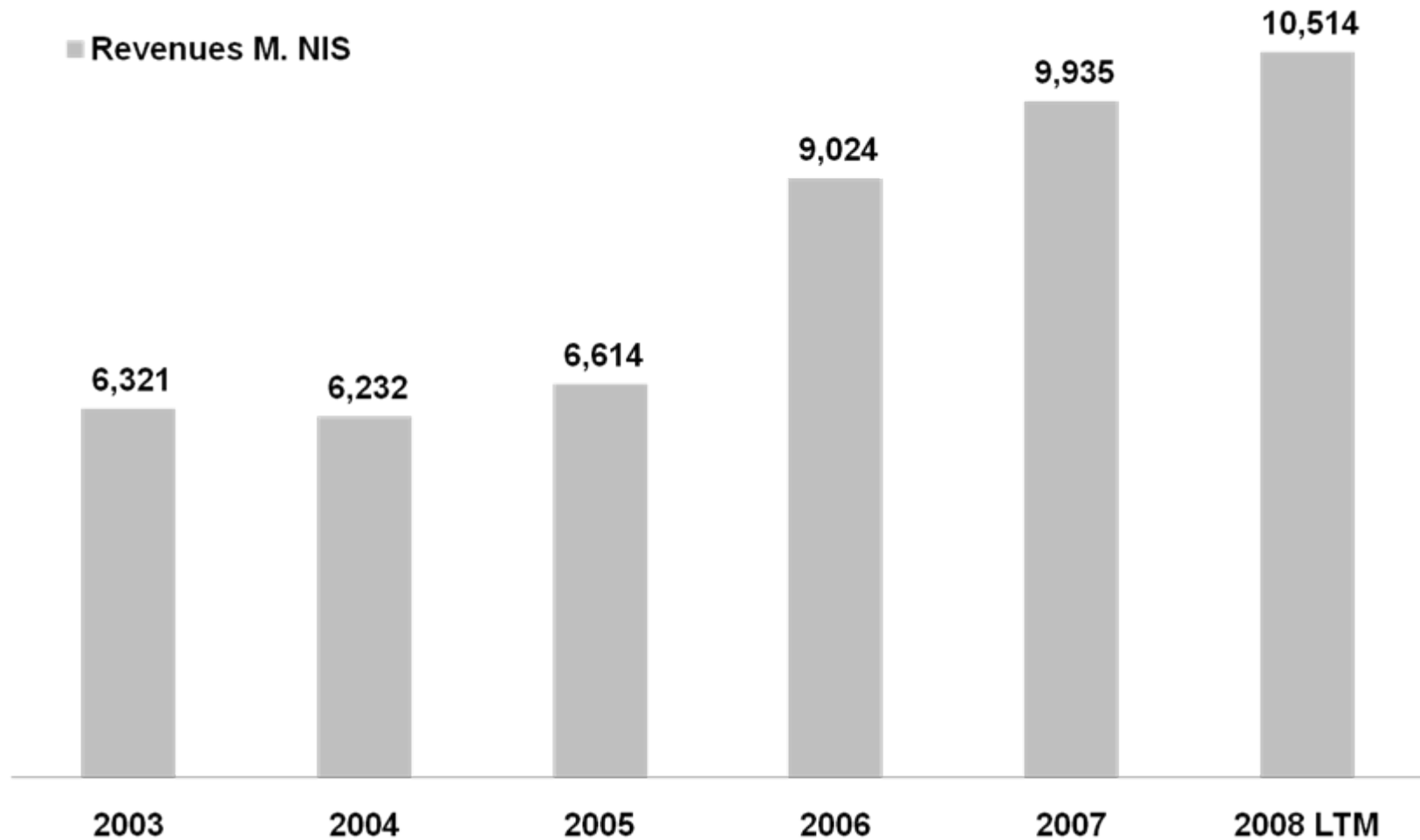
Shufersal, Israel's leading retail group

Strong infrastructure for future growth and profitability

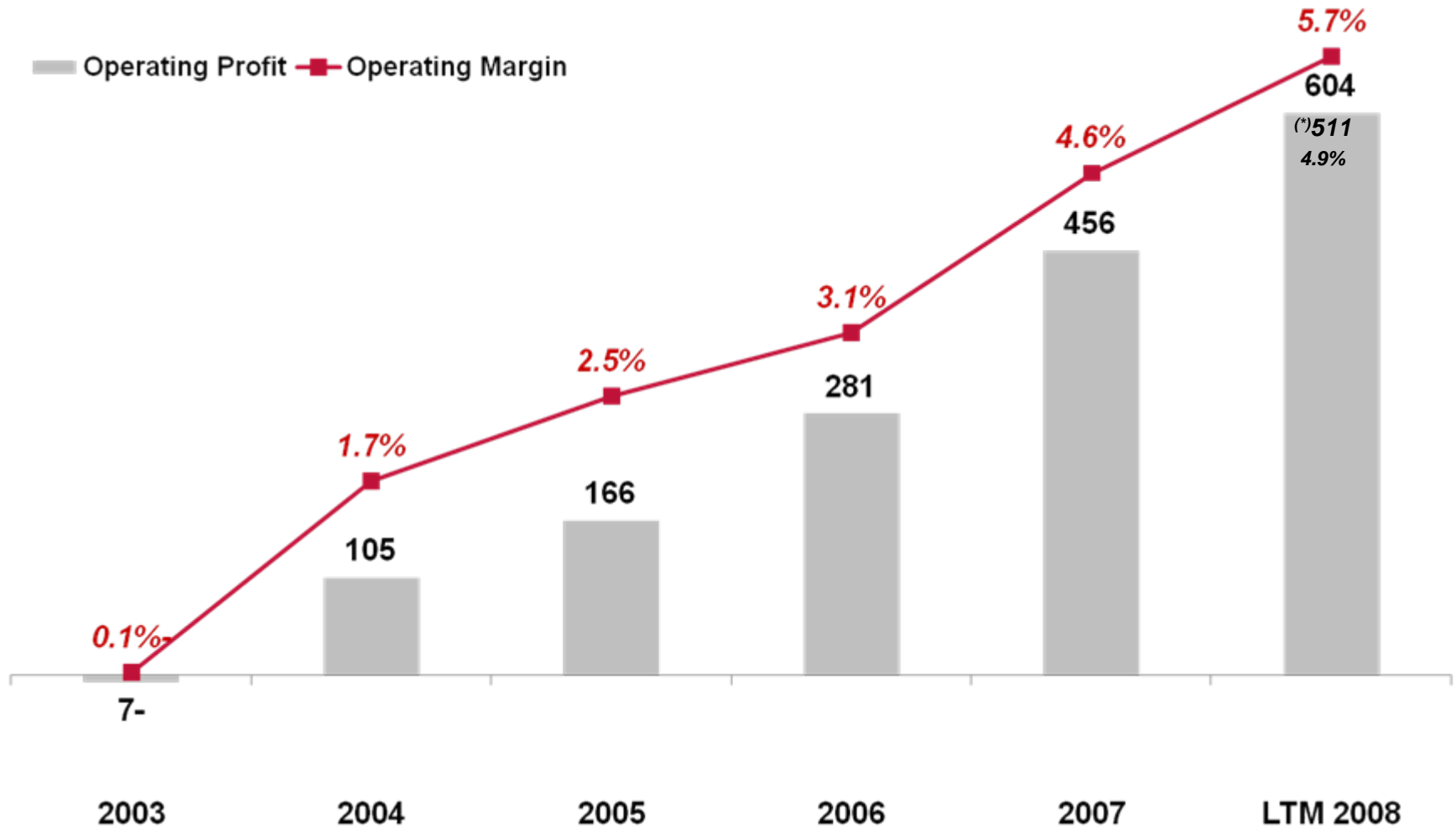


**Financial results**

# Steady Growth in Annual Revenues since 2004

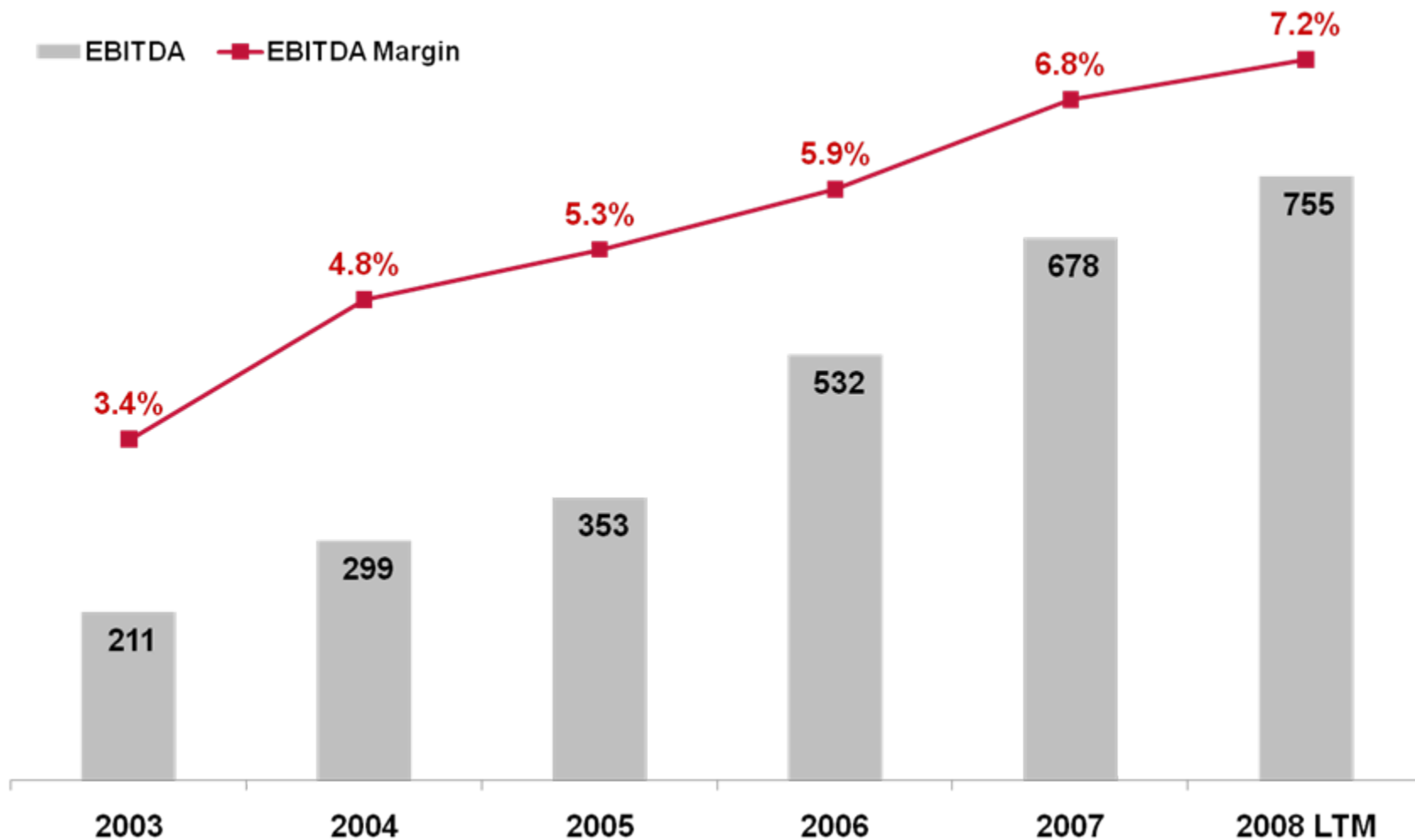


# Ongoing Increase in Operating Profit and Margin

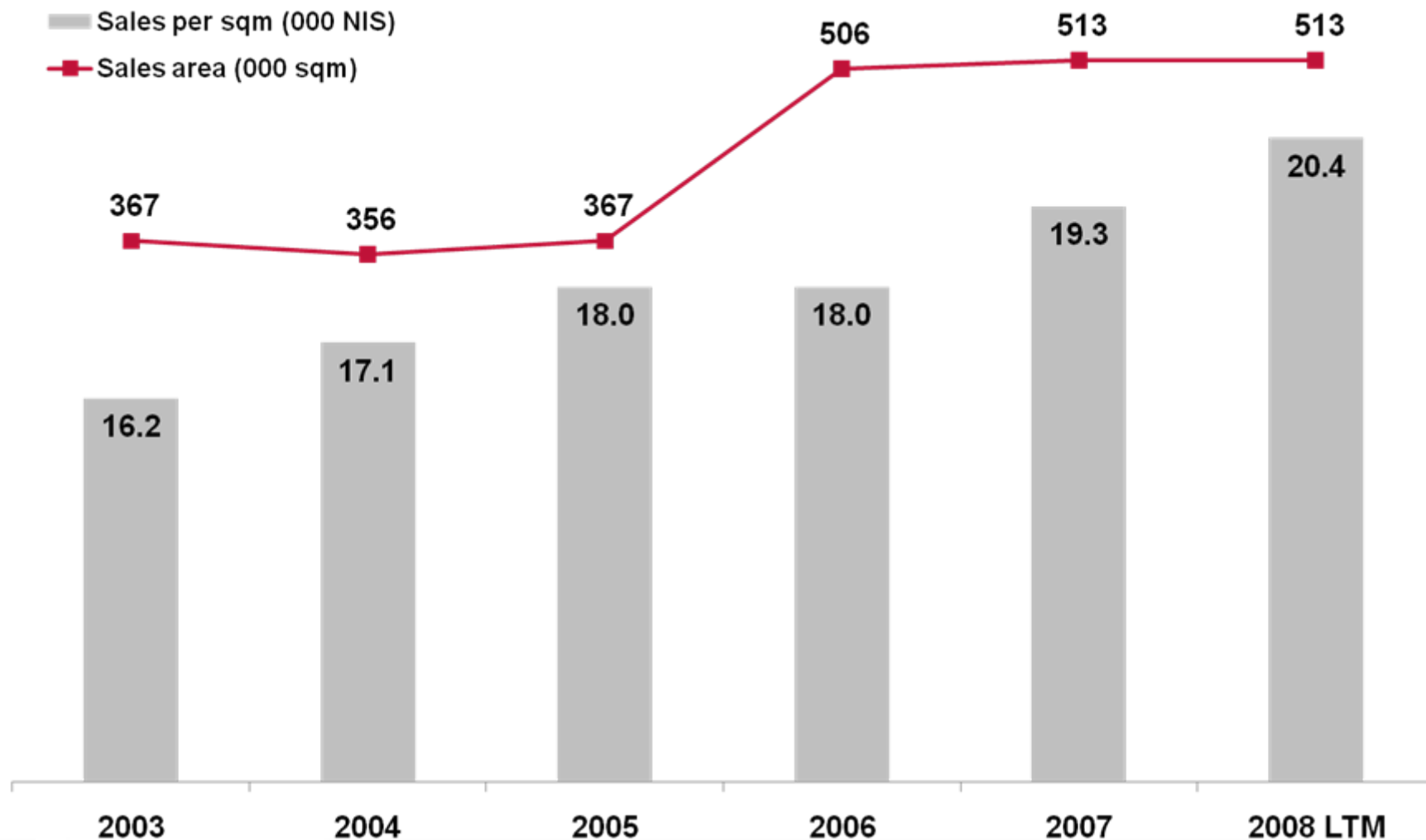


(\*) – Operating profit exclude Real Estate

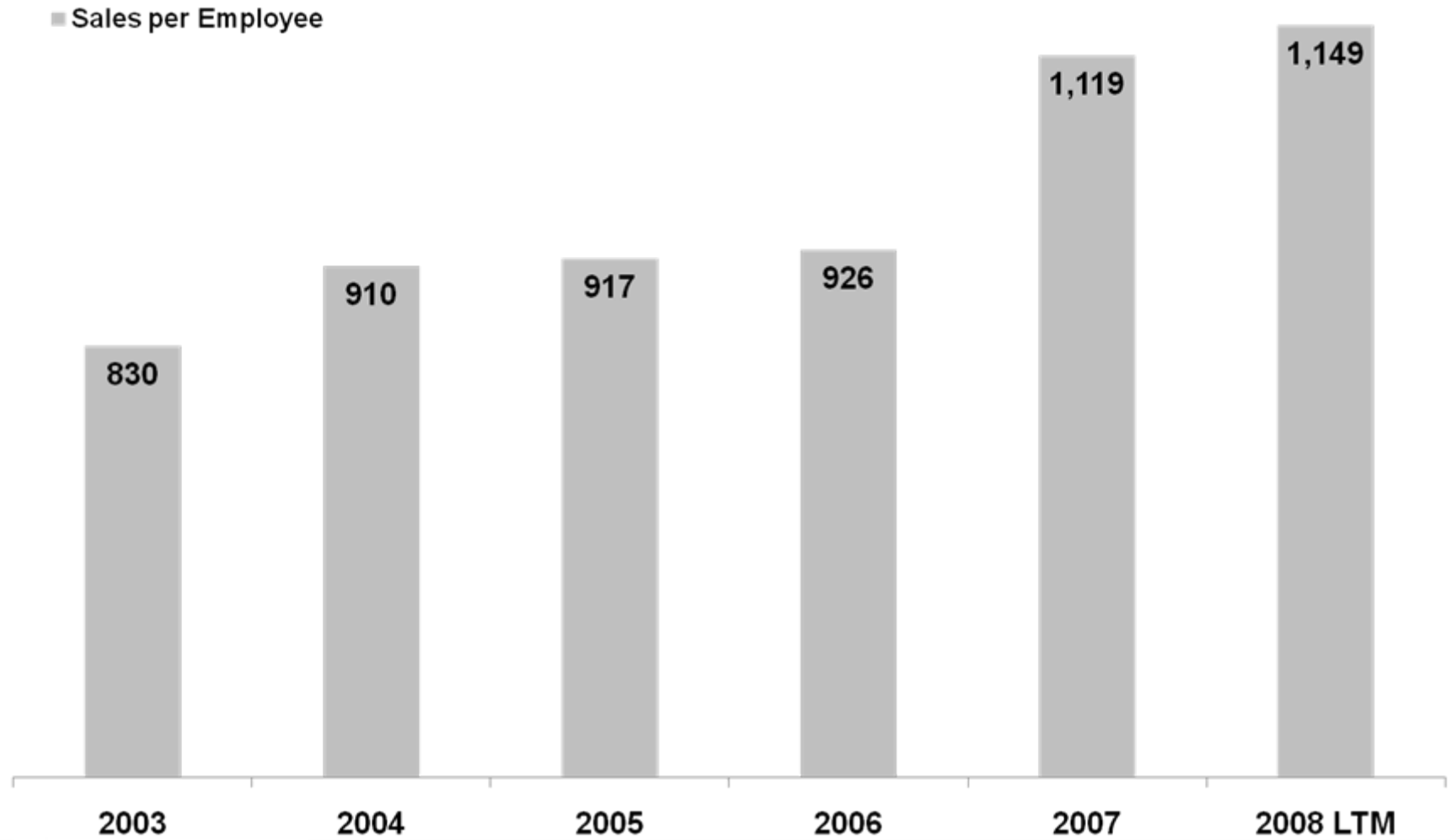
# Strong Appreciation in EBITDA



# Increased Efficiency in Sales/sqm & Sale Areas



# Sales per Employee

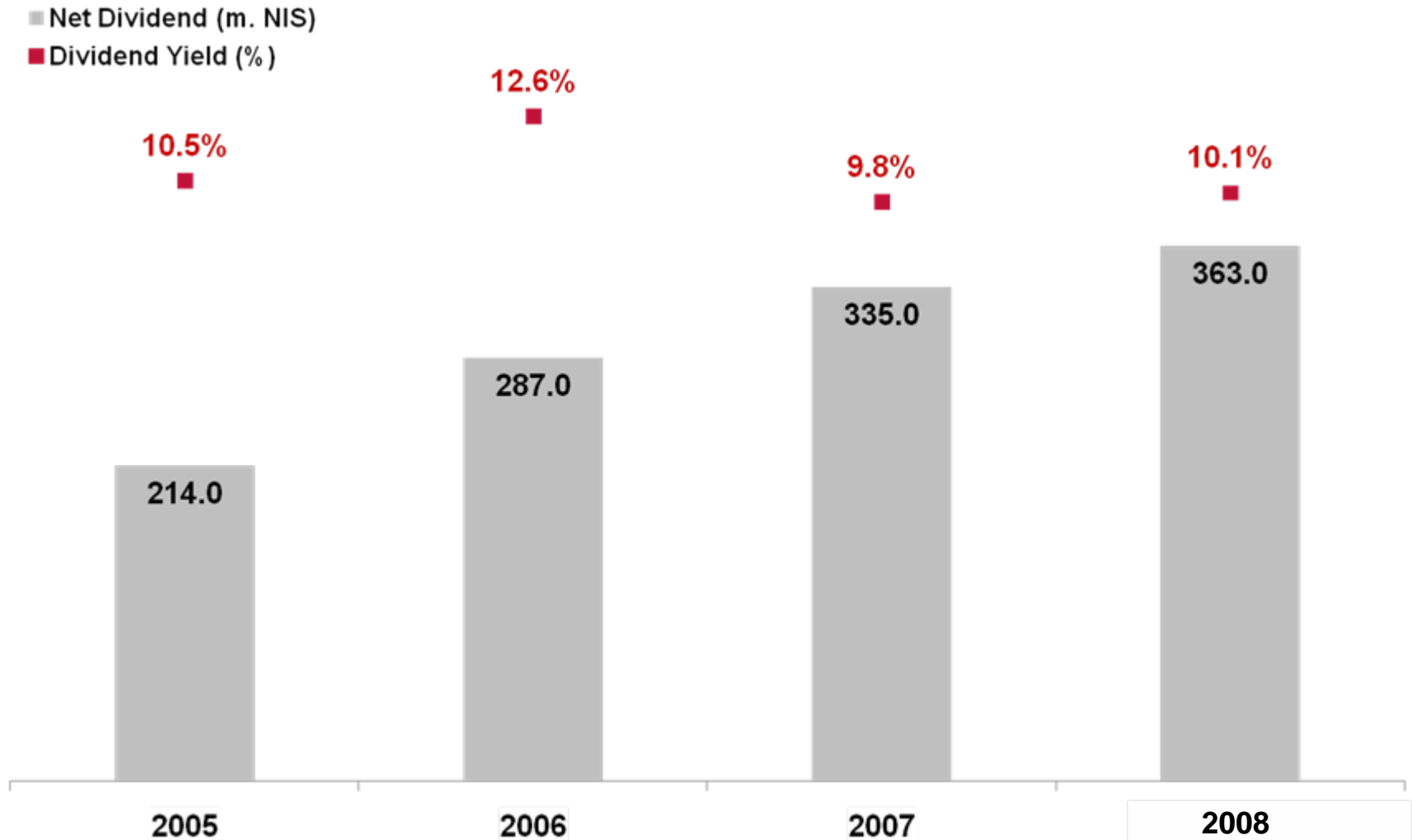


•Full time employees

**שופרסל**

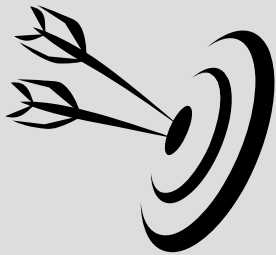


# Dividend Distribution and Yield



# Shufersal's Growth Vision

- Market leader
- Strong format and branding strategy
- Operational and commercial excellence
- Strong management team



## Future Growth Drivers

- 1 Store **expansion leveraging diversified format portfolio**, including special segments (YESH)
- 2 Share of wallet **increase through value added** services
- 3 Ongoing Efficiencies, especially around supply chain
- 4 Continued **Private Label penetration** and diversification
- 5 **Drive Non-Food sales** leveraging new partnerships



# Thank You





## Fast Facts

- IDB Group is Israel's largest, top-tier, most influential business group
- IDB Holding Corp. holds 76% of IDB Development Corp. Ltd., founded in 1981
- Balanced Portfolio: diversified investments spanning the entire Israeli Economy
- Impacting Strategy: hands-on managerial involvement in portfolio companies
- High Transparency: 25 companies forming 13% of TA 25 index & 13% of TA 100 index-TASE's key indexes; 11 companies traded on NASDAQ, NYSE, AMEX and BOVESPA
- Market Synergy: quality, dedicated Group workforce consisting of 40,000 employees

## Controlling shareholder in:

Total assets: 108B NIS (as of 31.12.07)  
Net profit 2007: 1.8B NIS

- Israel's largest cellular operator
- Israel's largest insurance company
- Israel's leading cement producer
- Israel's leading retailer
- ...



## Fast Facts

- BFI is chaired by Mr. Matthew Bronfman and Mr. Jacob Shalom Fisher
- BFI has significant holdings in banking, retail, real estate and industry in Israel, US and Europe
- Also active in solar energy, water technology, minerals and mining and security
- Acquired 19.8% from IDB after selling their 26.5% share in Blue Square

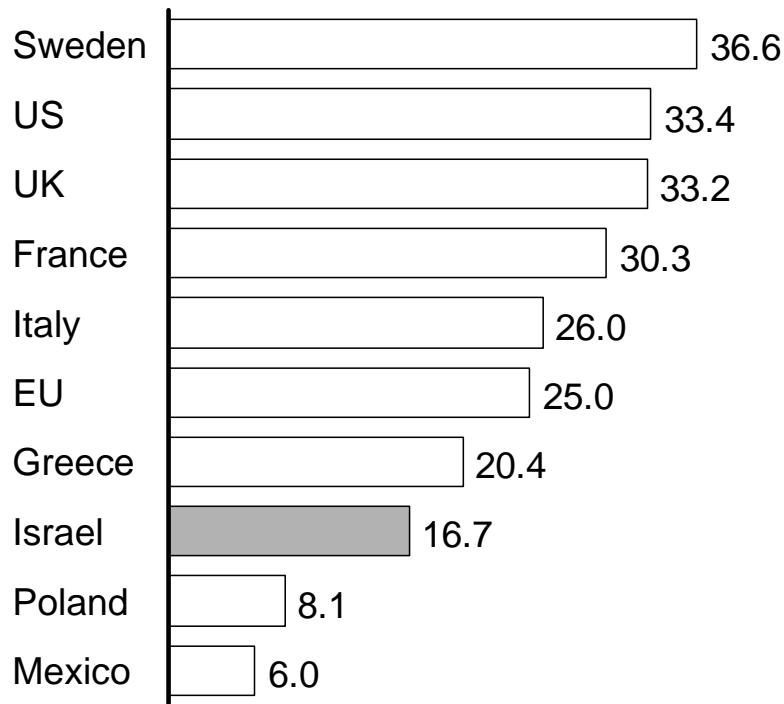
## Controlling shareholder in:

- A leading Israeli banking group
- Israel's leading retailer
- Leading Israeli (listed) real estate company
- Holds and operates the franchised IKEA business in Israel
- ...

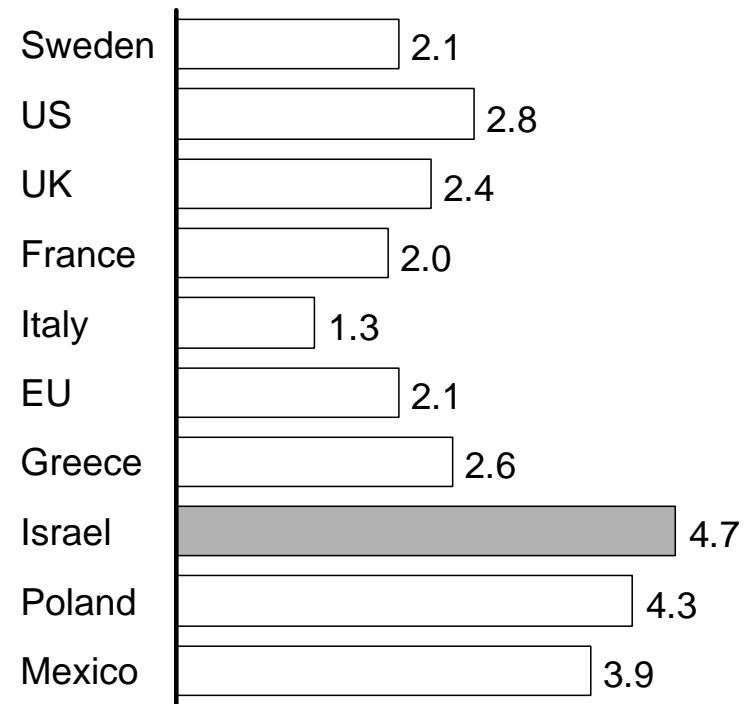


# Israeli Economy Reaching European Levels through Significant Growth

**GDP per capita**  
EUR 000' ,2007\*



**Expected real GDP 2008-2012 growth**  
CAGR, %



# Financial & Operational Highlights

|                            | <u>2007</u>     | <u>H1/2008</u>  |
|----------------------------|-----------------|-----------------|
| • Annual revenues          | 9.9 billion NIS | 5.3 billion NIS |
| • Operating margin (*)     | 4.4%            | 5.4%            |
| • Number of stores         | 228 (55 owned)  | 227 (56 owned)  |
| • Total sales area (Gross) | 513,000 sqm     | 513,000 sqm     |
| • Owned sales area (Gross) | 102,500 sqm     | 104,800 sqm     |
| • Number of employees      | 10,400          | 10,400          |
| • Market cap (E.O.P)       | 3.6 billion NIS | 3.8 billion NIS |

# 2008 1<sup>st</sup> Half Results (Million NIS)

| Consolidated                                      |              |              |            |              |
|---|--------------|--------------|------------|--------------|
|   | 1st Half     |              |            | 2007         |
|   | 2008         | 2007         | Change     |              |
| <b>Revenues</b>                                   | <b>5,373</b> | <b>4,795</b> | <b>12%</b> | <b>9,935</b> |
| <b>Gross profit</b>                               | <b>1,445</b> | <b>1,272</b> | <b>14%</b> | <b>2,643</b> |
|   | 26.9%        | 26.5%        | 0.4%       | 26.6%        |
| <b>Operating profit<br/>(exclude Real Estate)</b> | <b>290</b>   | <b>218</b>   | <b>33%</b> | <b>434</b>   |
|   | 5.4%         | 4.5%         | 0.8%       | 4.4%         |
| <b>Operating profit</b>                           | <b>366</b>   | <b>218</b>   | <b>68%</b> | <b>434</b>   |
|   | 6.8%         | 4.5%         | 2.3%       | 4.4%         |
| <b>Net profit</b>                                 | <b>173</b>   | <b>127</b>   | <b>36%</b> | <b>244</b>   |
|   | 3.2%         | 2.6%         | 0.6%       | 2.5%         |
| <b>EBITDA</b>                                     | <b>410</b>   | <b>333</b>   | <b>23%</b> | <b>655</b>   |
|   | 7.6%         | 7.0%         | 0.7%       | 6.6%         |

# Cash Flow (Million NIS)

|  | <u>H1/2008</u> | <u>2007</u>  |
|--|----------------|--------------|
| <b>Net cash generated by operating activities</b>            | <b>319</b>     | <b>716</b>   |
| Investment in fixed assets                                   | <b>(85)</b>    | <b>(164)</b> |
| Sale of Real-Estate  | 205            | 7            |
| <b>Cash flow after investments</b>                           | <b>439</b>     | <b>559</b>   |
| Proceeds from issue of notes (net of issuance expenses)      | 0              | 500          |
| Proceeds/(Purchase) of marketable securities                 | 114            | <b>(246)</b> |
| Repayment of notes and long-term loans from banks and others | <b>(217)</b>   | <b>(357)</b> |
| Dividend paid  | <b>(259)</b>   | <b>(335)</b> |
| <b>Increase in cash and cash equivalents</b>                 | <b>77</b>      | <b>121</b>   |

# Consolidated Balance Sheet (Assets)

## (Million NIS)

| <u>Current assets</u>           | <u>6.2008</u>       | <u>2007</u>         |
|---------------------------------|---------------------|---------------------|
| Cash and marketable securities  | 446                 | 444                 |
| Trade receivables               | 1,183               | 1,085               |
| Other receivables               | 148                 | 86                  |
| Inventory                       | <u>658</u>          | <u>597</u>          |
| <b>Total current assets</b>     | <b>2,435</b>        | <b>2,212</b>        |
| Long-term loans                 | 63                  | 69                  |
| Real-estate for investment      | 342                 | 531                 |
| Fixed assets                    | 1,766               | 1,788               |
| Deferred costs and other assets | <u>944</u>          | <u>939</u>          |
| <b>Total asstes</b>             | <b><u>5,550</u></b> | <b><u>5,539</u></b> |

# Consolidated Balance Sheet (Liabilities)

## (Million NIS)

| <u>Current liabilities</u>             | <u>6.2008</u>       | <u>2007</u>         |
|--|---------------------|---------------------|
| Bank credit                            | 40                  | 60                  |
| Current maturities in respect of notes | 61                  | 59                  |
| Trade payables                         | 1,527               | 1,444               |
| Other payables                         | <u>628</u>          | <u>524</u>          |
| <b>Total current liabilities</b>       | <b>2,256</b>        | <b>2,087</b>        |
| <br>                                   |                     |                     |
| <u>Long-term liabilities</u>           |                     |                     |
| Liabilities to banks and others        | 24                  | 78                  |
| Liabilities in respect of notes        | 1,734               | 1,748               |
| Other liabilities                      | 113                 | 108                 |
| Deferred taxes                         | <u>64</u>           | <u>84</u>           |
| <b>Total Long-term liabilities</b>     | <b>1,935</b>        | <b>2,018</b>        |
| <br>                                   |                     |                     |
| <b>Shareholders' equity</b>            | <b><u>1,359</u></b> | <b><u>1,434</u></b> |
| <br>                                   |                     |                     |
| <b>Total liabilities</b>               | <b><u>5,550</u></b> | <b><u>5,539</u></b> |

# Financial Ratios (Million NIS)

|                                       | 12.2007      | 6.2008       |
|---------------------------------------|--------------|--------------|
| <b>Quick Ratio</b>                    | <b>0.77</b>  | <b>0.79</b>  |
| <b>Current Ratio</b>                  | <b>1.06</b>  | <b>1.08</b>  |
| <b>Shareholders' Equity to Assets</b> | <b>25.9%</b> | <b>24.5%</b> |
| <b>Debt to Total Assets</b>           | <b>35.1%</b> | <b>33.5%</b> |
| <b>R.O.E (*)</b>                      | <b>16.5%</b> | <b>20.9%</b> |

(\*) – Last 4 quarters