


Ahold Delhaize (ENXTAM: AD) 4Q and FY16 Trading Update: Strong Sales in the Netherlands Boost Group Performance

- Ahold Delhaize reported FY16 revenues of €62,331 million, up 3.4% from FY15 at constant currency (+3.7% in reported currency) and slightly below the consensus estimate of €62,419 million.
- Segment-wise, the Netherlands performed the best, with sales growing 5.3% in FY16. Ahold USA's sales grew 2.5% and Delhaize America's were up 1.9%, at constant currency. Sales in Central and Southeastern Europe (CSE) rose 8.8% at constant currency and sales in Belgium grew by 1.7%.
- Ahold Delhaize confirmed its guidance for the pro forma underlying operating margin to be "broadly in line" with its performance of 3.6% in the first three quarters of FY16 and slightly ahead of last year; and for free cash flow (including the FY impact of Delhaize Group) to be about €1.3 billion.

Note: The merger between Dutch grocer Ahold and Belgian supermarket group Delhaize came into effect on July 24, 2016, to form Ahold Delhaize. The group began reporting consolidated results from 3Q16.

For the former Ahold segments, the number of weeks included for 2016 are 12 weeks for 4Q and 52 weeks for FY (2015: 13 weeks for 4Q and 53 weeks for FY). For the former Delhaize segments, the number of weeks included for both 2015 and 2016 are 13 weeks for 4Q and 52 weeks for FY. The 2015 numbers and percentage changes discussed below are adjusted for the extra week. All figures are on a pro forma basis.

FY16 Sales

Ahold Delhaize reported FY16 preliminary, unaudited revenues of €62,331 million, up 3.4% from FY15 at constant currency (+3.7% in reported currency) and slightly below the consensus estimate of €62,419 million. Excluding gas sales, pro forma net sales in FY16 grew 3.7% at constant currency.

4Q16 Sales

In the fourth quarter ended January 1, 2017, Ahold Delhaize's sales amounted to €15,505 million, an increase of 2.8% year over year at constant currency (+3.9% in reported currency). Excluding fuel sales, net sales increased 2.7% at constant currency, during the quarter. Strong performance in the Netherlands, volume growth in the US and a substantial increase in online sales were the highlights of the quarter.

Performance by Segment

Ahold Delhaize reports on four geographic segments: the US (which it further splits into Ahold USA and Delhaize America), the Netherlands, Belgium, and Central and Southeastern Europe (CSE).

The following figures are on a pro forma basis only.

The US

- **Ahold USA:** FY16 sales grew 2.5% at constant currency (+2.9% in reported currency) to €23,316 million. Comps grew 0.7% (flat growth excluding fuel) during the year. In 4Q16, sales grew 0.7% to €5,590 million at constant currency (+2.5% in



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reported currency) and comps declined by 0.2% (flat growth excluding fuel). The company flagged that its Stop & Shop New England banner performed particularly well in this segment. It added that shelf price deflation was 1.2% and broadly in line with 4Q15.

- **Delhaize America:** In FY16, sales increased 1.9% at constant currency (+2.3% in reported currency) to €15,501 million and comps grew 2.1%. During the fourth quarter, sales grew 2.0% at constant currency (+3.8% in reported currency) to €3,969 million and comps grew 2.2%. The company emphasized volume growth under its Food Lion and Hannaford banners, and mentioned that shelf price was 1.7%, broadly in line with 4Q15.

The Netherlands

During the year, total sales in the Netherlands increased 5.3% to €13,015 million and comps grew 4.1%. In 4Q16, sales rose 7.5% to €3,208 million and comps increased 6.6%. Ahold Delhaize attributed the impressive quarterly performance to assortment innovations and improved service in the supermarkets, and to strong growth in online sales under the ah.nl and bol.com banners. The full-year market share of the Albert Heijn fascia improved slightly compared to last year, the company said.

Belgium

For the year, sales in Belgium increased 1.7% to €4,942 million and comps grew 1.7%. The quarterly performance was subdued, with sales falling 1.0% to €1,280 million and comps declining 0.9%. The company highlighted that market share remained stable compared to the previous year.

CSE

FY16 sales in the CSE region grew 8.8% at constant currency (+8.6% in reported currency) to €5,557 million and comps increased 5.7% (+5.5% including fuel sales). During the quarter, sales grew 6.7% at constant currency (+6.2% in reported currency) to €1,458 million and comps grew 3.4% (+3.4% including fuel sales).

Outlook

Ahold Delhaize confirmed its guidance for the full year, particularly for:

- **Pro forma underlying operating margin:** Expected to be “broadly in line” with its performance of 3.6% in the first three quarters of FY16 and slightly ahead of last year.
- **Free cash flow:** Expected to be about €1.3 billion (including the FY impact of Delhaize Group).



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