Full Year 2016 Results

Conference call – March 14, 2017


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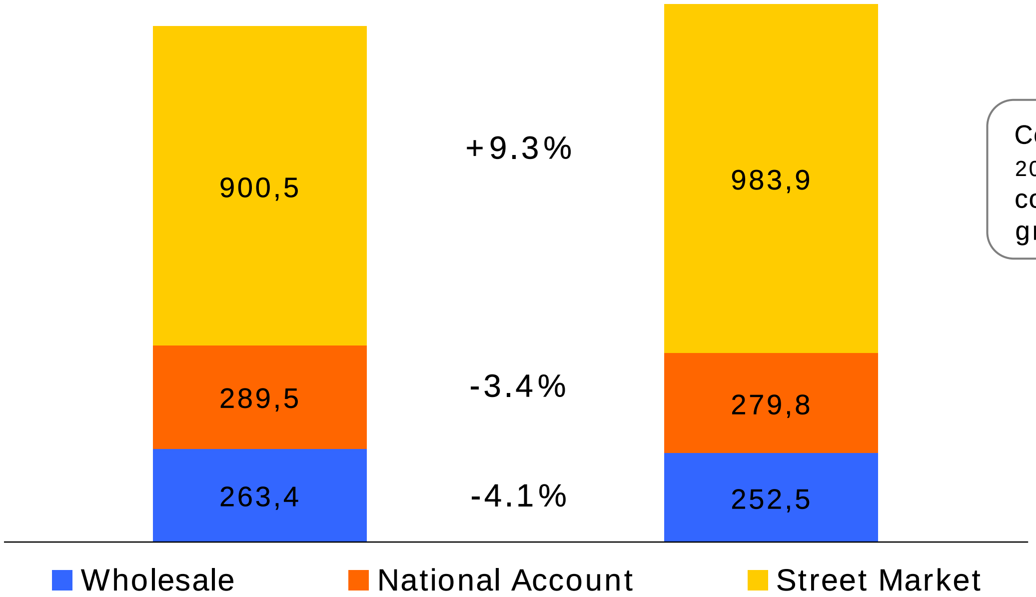
The Group's business is also correlated to tourism flows. Q1 and Q4 represent the low point of the business year, whereby Q2 and Q3 the peak of the seasonality. Therefore quarterly sales, operating results, trade net working capital and net financial indebtedness are impacted by the seasonality and may not be directly compared or extrapolated to obtain forecasts of year-end results.

FY 2016 - Highlights

- **Total revenues** grew by 63€m, driven by sales of the Street Market segment
- **EBITDA** reached 111.0€m (105.7€m in 2015), with an EBITDA margin of 7.2%
- **Net income** was of 58.5€m compared to 58.1€m of FY 2015 and despite the one-off items: 1.7€m positive in 2015 and 1.1€m negative in 2016
- **Trade NWC** as at 31 December 2016 amounted to 205.9€m decreasing compared to 220.6€m of 2015 year-end
- **Net debt** as at 31 December 2016 was 177.5 (164.5€m in 2015) with a ratio of net debt on EBITDA stable at 1.6x
- **DPS proposal** 0.70€ is proposed with an increase of 4 cents compared with 0.66€ of the previous year

FY 2016 - Sales

	FY 2015	%ch	FY 2016
Total revenues	1,481.0	+4.3%	1,544.4
Total sales	**1,453.4**	**+4.3%**	**1,516.2**



Consolidation of DE.AL. (since 4 April 2016) and SAMA (since 1 June 2015) contributed to the Street Market growth by 50.9€m

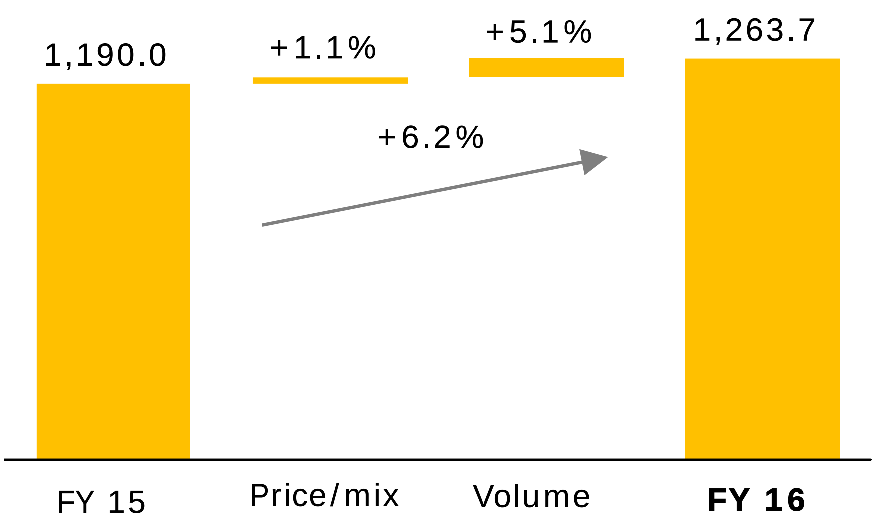
- Sales growth was driven by the main segment of the Street Market (+83.4€m)
- National Account was also penalised by one-off sales related to *EXPO 2015* exhibition (ca 5€m)
- Sales of frozen seafood to Wholesalers were affected by the scarcity of some products and sales reduction was also aimed at preserving margins

FY 2016 - Sales (Price mix / volume trend)

Street Market - National Account

client segments

€m



% change 2016vs2015	Price / mix 9M	Price / mix **12M**	Volume 9M	Volume **12M**
Grocery	+0.4	**+0.0**	+3.9	**+4.5**
Meat	+0.0	**-0.1**	+2.9	**+3.6**
Seafood	+3.6	**+3.8**	+9.2	**+8.4**
SM+NA	+1.2	**+1.1**	+5.0	**+5.1**

- Price/mix continues to be driven by inflation in Seafood category, while price/mix is almost flat in Grocery and Meat categories
- Growth of the combined Street Market and National Account segments was positively affected by the Volumes deriving from the consolidation of DE.AL.

FY 2016 – Income statement (1/2)

Operating analysis

€m	FY 2015	%	**FY 2016**	%	% ch
Total Revenues	**1,481.0**	100.0%	**1,544.4**	100.0%	+4.3
COG's	(1,159.4)	-78.3%	(1,204.0)	-78.0%	
Services	(169.2)	-11.4%	(180.7)	-11.7%	
Other operating costs	(10.9)	-0.7%	(11.1)	-0.7%	
Personnel costs	(35.8)	-2.5%	(37.6)	-2.4%	
EBITDA	**105.7**	7.1%	**111.0**	7.2%	+5.0
D&A	(5.0)	-0.3%	(5.7)	-0.4%	
Provisions	(11.6)	-0.8%	(12.5)	-0.8%	
EBIT	**89.1**	6.0%	**92.7**	6.0%	+4.1

- A favourable sales mix and careful management of operating costs led to an increase of 10 bps in the EBITDA margin (7.2%)
- Increase of D&A was essentially due to the 3-year investment plan aimed at increasing capacity in some distribution centers. Provisions for bad debts remain stable as incidence

FY 2016 – Income statement (2/2)

Non-operating analysis

€m	FY 2015	%	**FY 2016**	%	% ch
(continue)					
Net interest and ForEx	(6.8)	-0.4%	(5.0)	-0.3%	
Result from recurrent activities	**82.3**	5.6%	**87.7**	5.7%	+6.6
Non recurrent items	1.7	0.1%	(1.1)	-0.1%	
Profit before tax	**84.0**	5.7%	**86.6**	5.6%	
Taxes	(26.0)	-1.7%	(28.1)	-1.8%	
Net income	**58.1**	3.9%	**58.5**	3.8%	+0.8
Tax rate	*30.9%*		*32.5%*		
Net income *adj* *(net of one off items)*	**56.4**	3.8%	**59.2**	3.8%	+5.1
Tax rate adj	*31.5%*		*32.4%*		

- 2016 was affected by one-off costs (1.1€m; 0.5€m at 9M) for the re-organization of DE.AL., while 2015 by one-off proceeds (1.7€m) for the balance of the price in relation to the sale of Alisea, that benefited from reduced taxation for the so-called “Participation exemption”

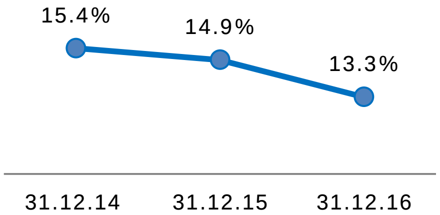
- Net Income adjusted for the non recurrent items and the related tax effects would be 59.2€m: +2.8€m (+5.1%) compared to 56.4€m in 2015

FY 2016 – Trade NWC

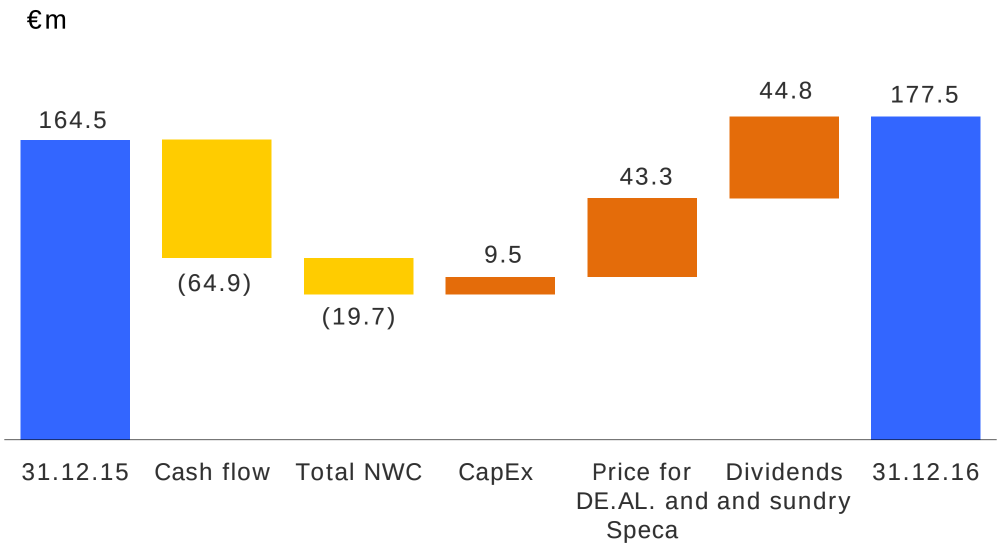
30.09.15	**30.09.16**	**ch.**	*Days*	€m	31.12.15	**31.12.16**	**ch.**	*Days*
444.7	448.6	3.9		Accounts Receivable	377.4	375.7	(1.8)	
104	*100*		*-4*	*Days*	*93*	*89*		*-4*
112.3	120.4	8.1		Inventory	119.9	142.3	22.5	
34	*35*		*+1*	*Days*	*38*	*43*		*+5*
(343.8)	(356.5)	(12.6)		Accounts Payable	(276.7)	(312.1)	(35.4)	
103	*103*		*-0*	*Days*	*87*	*95*		*+8*
213.2	**212.6**	**(0.6)**		**Trade Net Working Capital**	**220.6**	**205.9**	**(14.7)**	
35	*33*		*-2*	*Cash conversion cycle (Days)*	*44*	*37*		*-7*

- Improvement of DSO (-4 days) as at 31 December 2016 is line with that of 30 September last and was only partially affected by a slightly higher implementation (ca +3€m) of the securitization programme (*non recourse* – started in 2H 2014) compared to 31 December 2015
- Increase of Inventory was concentrated in the stock of frozen seafood and particularly that of some products affected by scarcity (eg. squid and cuttlefish)
- Increase of Accounts Payable is related to that of the Inventory

Trade NWC on Revenues



FY 2016 – Cash flow and Net Debt



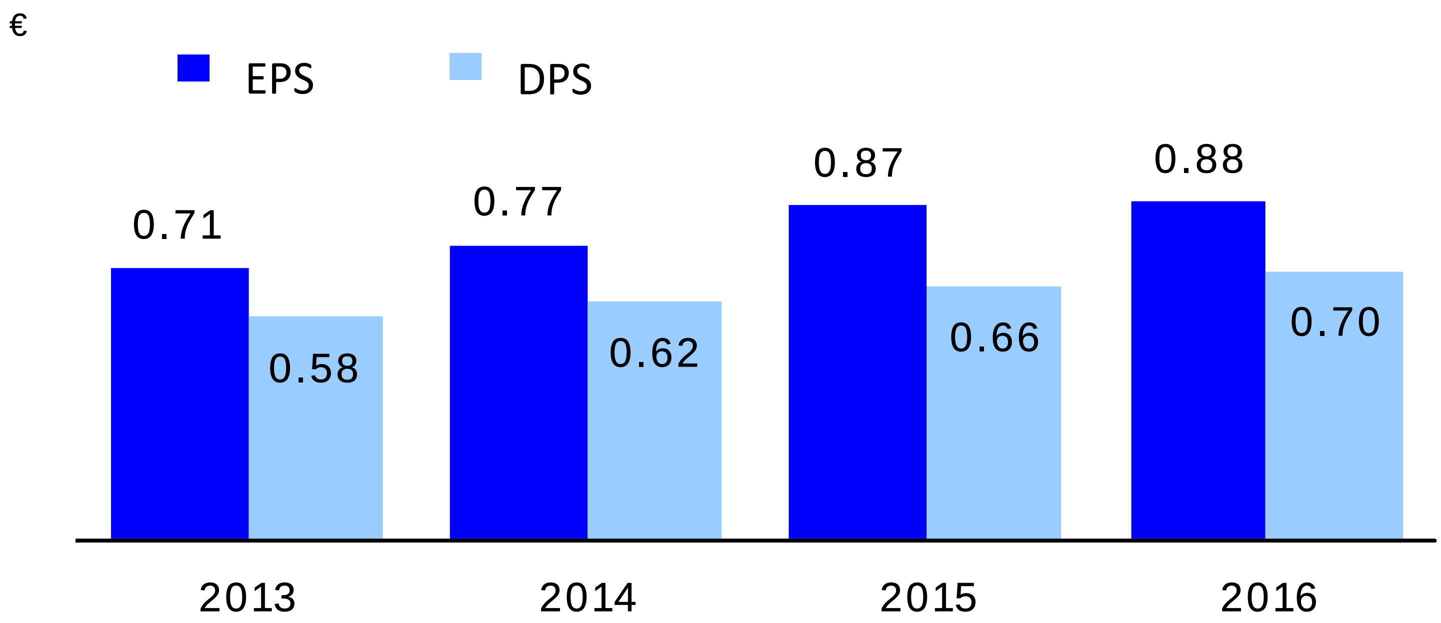
€m	31.12.15	**31.12.16**
Operating cash flow	62.1	64.9
Change in Total NWC	0.6	19.7
Capex and Others	(8.3)	(9.5)
Free cash flow (before dividends)	**54.4**	**75.1**

excluding price for SAMA (1.7€m) in 2015 and for DE.AL. and Speca (43.3€m) in 2016

- As a result of the control of NWC absorption the Cash generation (net of the Price for the acquisition of SAMA in 2015 and DE.AL. and Speca in 2016) improved by over 20€m
- Net debt as at 31 December 2016 was 177.5€m with a ratio of net debt on EBITDA stable at 1.6x equal to that of 2015 year-end

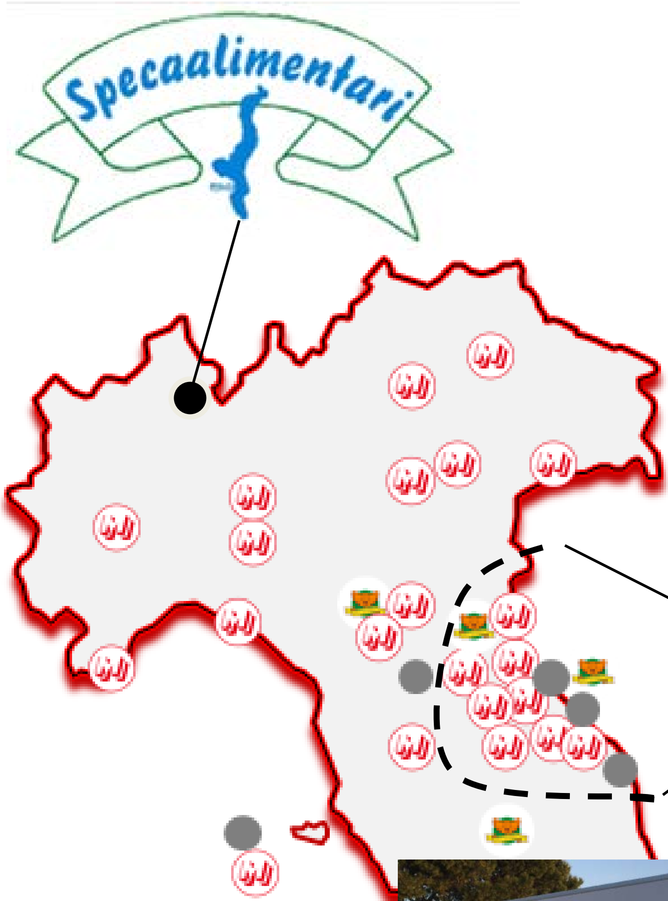
€m	31.12.15	**31.12.16**
Short-term Net debt	18.2	(0.5)
Long-term debt	(182.7)	(177.0)
Net debt	**(164.5)**	**(177.5)**

FY 2016 – Dividend proposal



- The Board of Directors proposes for the approval of the AGM of next 28 April a gross dividend per share of 0.70€ (+4 cents or +6% compared to the previous year)
- Net income not distributed will be allocated to Reserves in order to continue to finance the growth - primarily the absorption of Trade NWC related to the Organic growth - while maintaining a balanced financial structure

Improvement of MARR’s network



Distribution centres

Cash & carry

Distribution centres dedicated to Bars

Speca Alimentari

- 30 December last MARR purchased 100% of **Speca Alimentari** Srl (located in Baveno, in Lake Maggiore area): i) Price of 7.3€m paid 50% at the closing, 30% after 12 months and 20% after 24 months; ii) an earn out (not exceeding 10% of the Price of the closing) is expected by the 1H 2017; iii) acquisition effective from 1 January 2017.
  Sales contribution from Speca for 2017 is expected in the range of 11€m

“Romagna” area

- In mid-February a project aimed at improving the commercial proposal in the important **“Romagna” area** has been launched by strengthening the offer of **fresh seafood**. In the historical location of Via Spagna in Rimini the “MARR Battistini” distribution center, was opened and the activities of “MARR Baldini” (specialized in fresh shellfish) have been transferred there

Outlook

- The Italian Foodservice in 2017 is expected to be at around the same levels of consumption of 2016
- The price/mix – as measured by MARR - could be expected in the same range as that of 2016. First months of 2017 showed a positive food inflation, but it was concentrated in fresh fruit & vegetables products (3% of Total sales of MARR in 2016) and was due to bad weather conditions limited to the month of January
- In this context, the MARR Group maintains its focus on the innovation of process and product, towards specialization of sale proposition for the clients. This approach is confirmed in order to take advantage of market opportunities to consolidate its leadership, confirming the profitability achieved and the attention to the control of net working capital absorption
- Focus of the growth will remain on the more tonic Street Market segment

Selected offer ("Bontà casearie MARR") of local Italian cheese

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