

# 4Q20 Earnings **SMU S.A.**

---

March 2021



## CAUTION REGARDING **FORWARD-LOOKING STATEMENTS**

---

This presentation may contain forward-looking statements. We have based any such forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Although management considers these projections to be reasonable based on information currently available to it, many important factors could cause our actual results to differ substantially from those anticipated in our forward-looking statements. The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “forecast” and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities and the effects of future regulation and competition.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this presentation might not occur and are not guarantees of future performance. Therefore, we caution readers not to place undue reliance on these statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or revise any forward-looking statements included in this presentation because of new information, future events or other factors.

# AGENDA

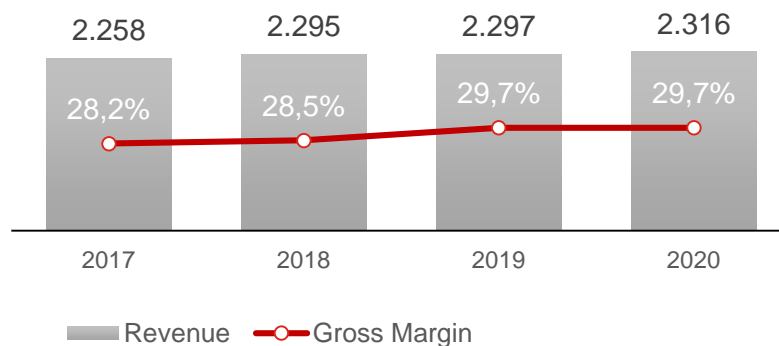
**1. SMU 4Q20 Earnings**

2. SMU Going Forward

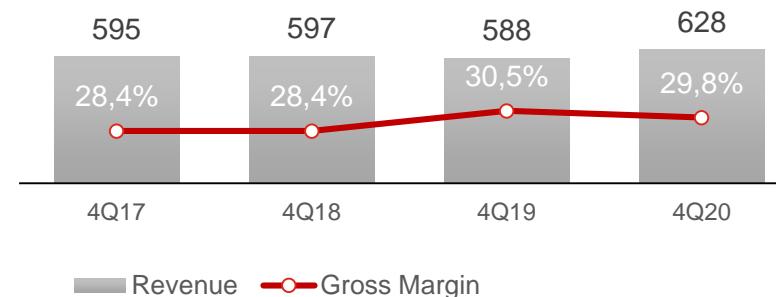
Revenue



Revenue – Full Year (CLP Bn)



Revenue – Fourth Quarter (CLP Bn)



Revenue recovery in 2H20

- Recovery that started in 3Q accelerated in 4Q, with 6.9% growth YoY
- Full year growth (+0.8%) strongly affected by early months of pandemic

Gross margin

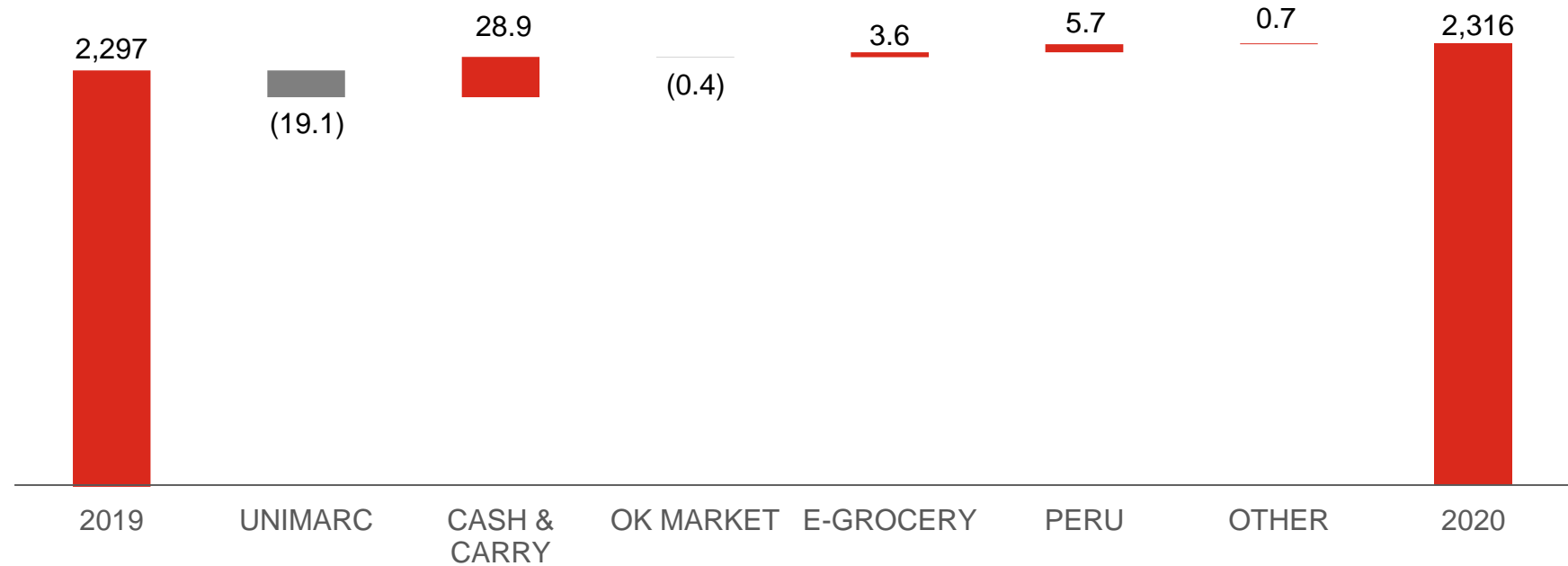
- Affected by recognition of business interruption insurance.
- Excluding insurance impact, gross margin +20 bps in FY20 and +30 bps in 4Q20

# 4Q20 Earnings

## Revenue by Format

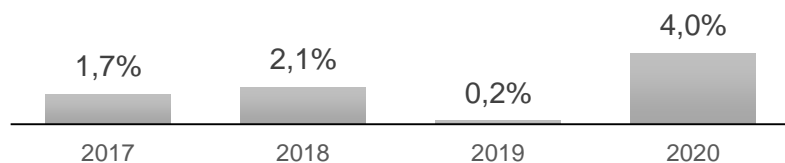
**Full Year 2020 vs 2019 Revenue by Format (CLP Bn)**

- Outstanding performance by Alvi throughout 2020 (+12.5%)
- e-Commerce +42.3% in FY20
- Unimarc affected by pandemic but recovering in 4Q (+6.1%)
- Peru +11.1% in FY20

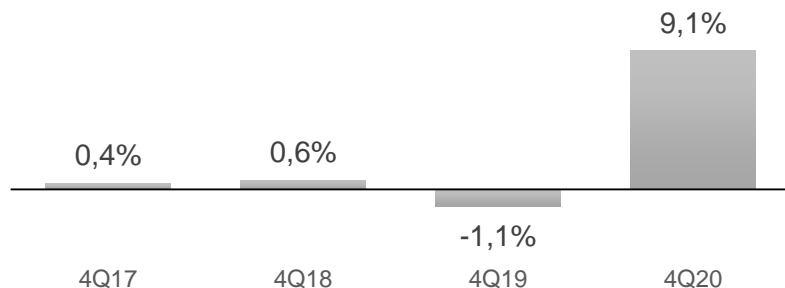




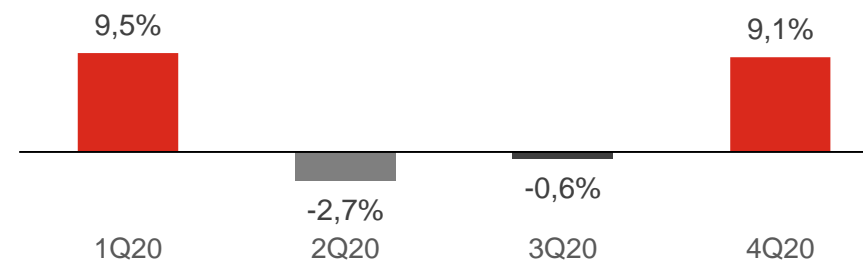
Same-Store Sales – Full Year



Same-Store Sales – Fourth Quarter



Quarterly Same-Store Sales – 2020



Recovery in 2H20

- Inflection point in traffic during 3Q, reflected in SSS for August and September
- Recovery accelerated in 4Q20

(1) Same-store sales reflects the percentage change in sales of our stores operating throughout the same months of both financial periods being compared, for the Food Retail segment. In order to be included in the calculation, a store must have been operating for at least 13 consecutive months, beginning on the date on which the store was opened or re-opened.

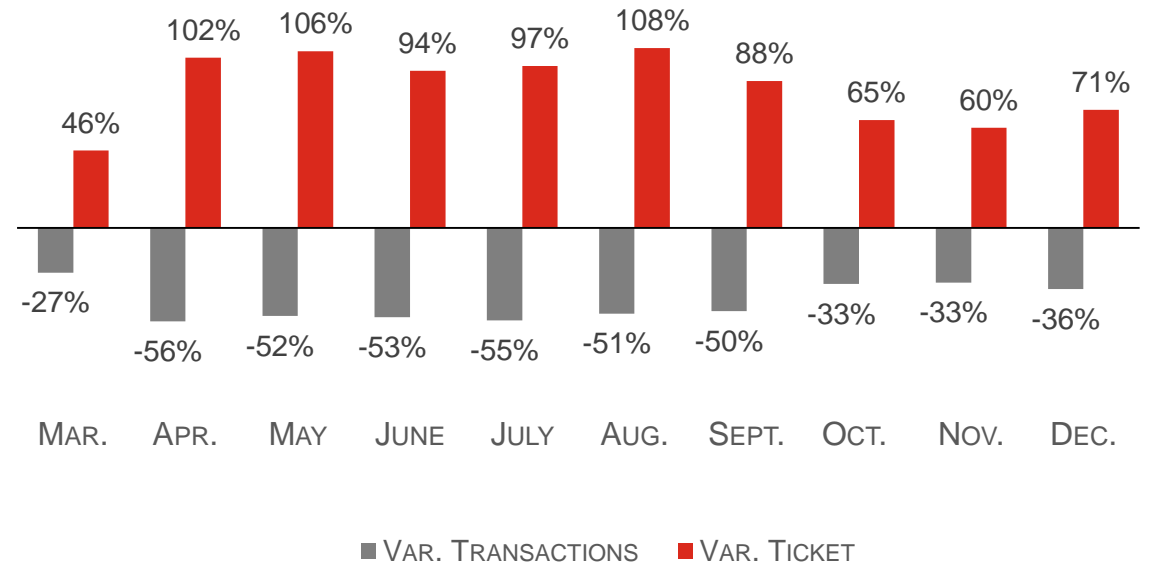
## Customer shopping habits during the pandemic

### Reduction in traffic and purchase frequency

- Increase in online sales
- More pronounced impact on centrally-located stores vs. residential stores
- Adjustments to promotional activity using *Club Ahorro* app, facilitating access to personalized discounts for an extended period of time



Var. Transactions vs. Var. Average Ticket (Chile) - 2020 vs. 2019



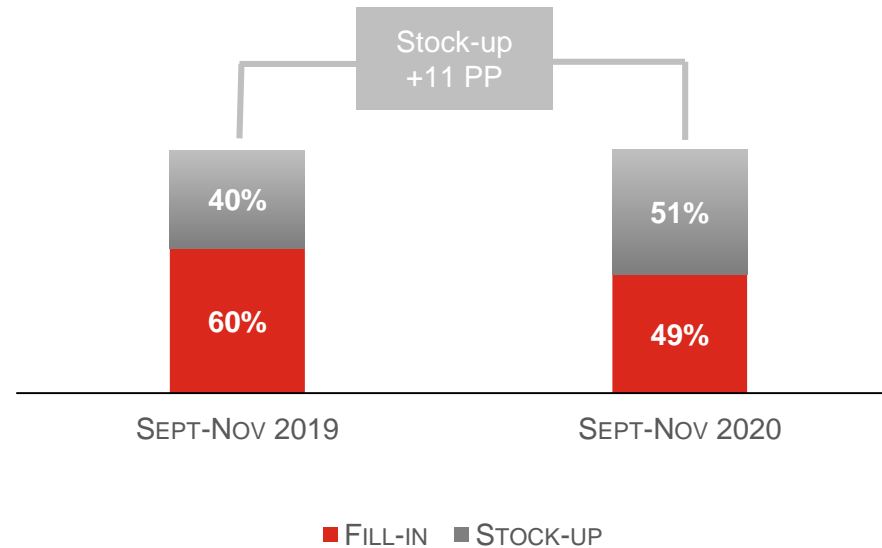
## Customer shopping habits during the pandemic



### Increased share of “stock-up” product categories

- In contrast to decades-long trend towards more fill-in purchases
- SMU responded with adjustments to product assortment to cater more effectively to “stock-up” needs

Shopping Missions (Chile) - 2020 vs. 2019





# 4Q20 Earnings

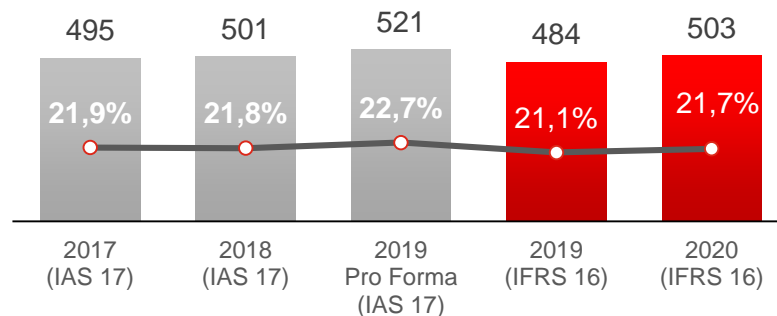
## Operating Expenses (1)

OPEX includes extraordinary COVID-related expenses:

- CLP 9.3 bn in 2020 and CLP 1.9 bn in 4Q20

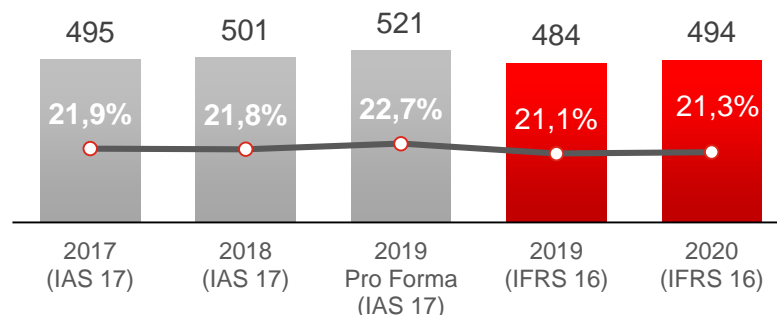
Significant optimization in 2H20

**OPEX – Full Year (CLP Bn)**



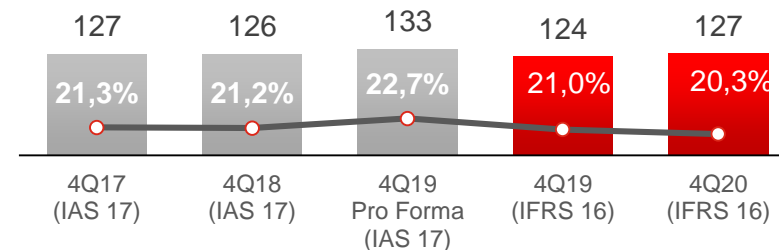
■ OPEX ● OPEX/Revenue

**OPEX – Full Year, ex COVID Expenses (CLP Bn)**



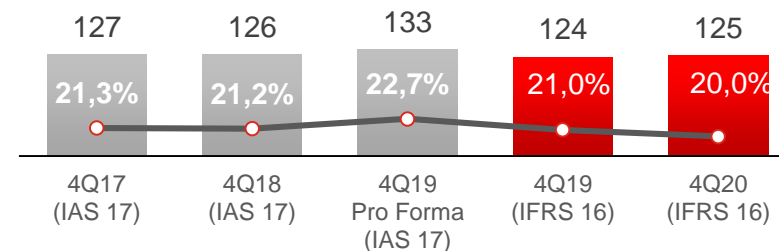
■ OPEX ● OPEX/Revenue

**OPEX – Fourth Quarter (CLP Bn)**



■ OPEX ● OPEX/Revenue

**OPEX – Fourth Quarter, ex COVID Expenses (CLP Bn)**



■ OPEX ● OPEX/Revenue

(1) Due to the implementation of IFRS 16 on Jan. 1, 2019, operating expenses, EBITDA, and net income for 2019 and 2020 as reported are not comparable with figures for prior periods, when IAS 17 was in force. Pro forma IAS 17 figures have been provided for illustrative purposes only, in order to facilitate comparative analysis over time. Operating expenses: Sum of distribution and administrative expenses, excluding depreciation and amortization.

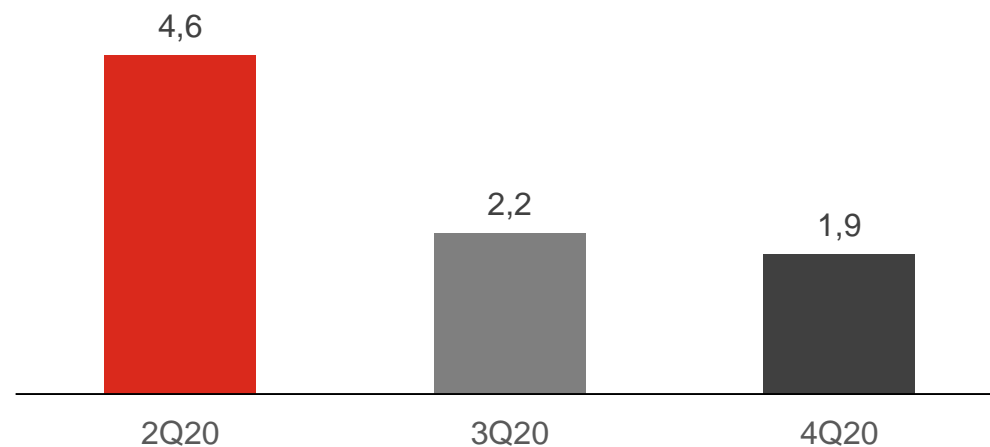
## Optimization of Pandemic-Related Expenses



### Optimization in 3Q and 4Q

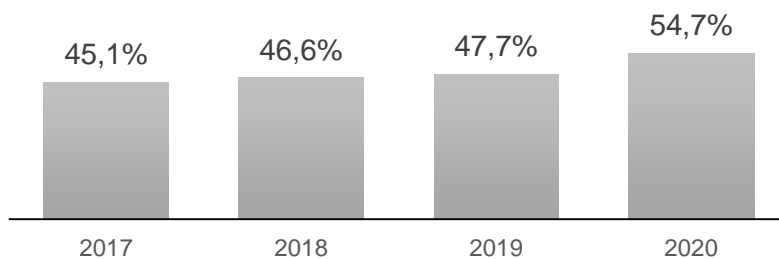
- 4Q20 COVID expenses: reduction of 13% vs. 3Q20 and 59% vs. 2Q20
- Optimization of extraordinary expenses while remaining in strict compliance with all public health protocols

Quarterly COVID Expenses (CLP Bn)

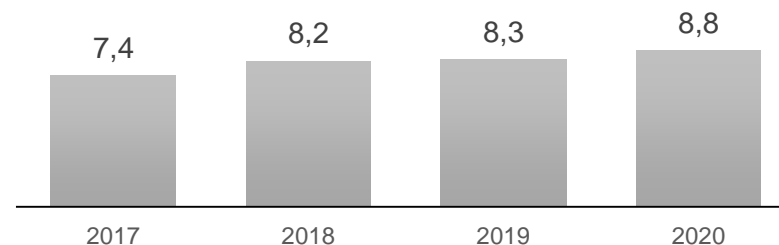




Centralization (Chile) <sup>(1)</sup>



Sales/Full-Time Equivalent (Chile - CLP Mn/month)

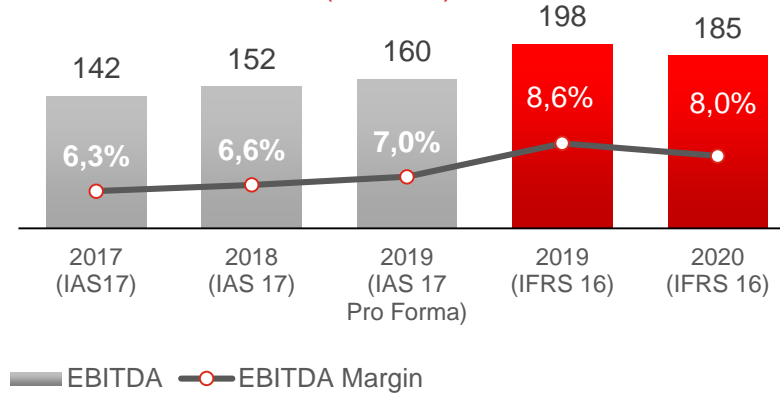


(1) Percentage of revenues from products distributed by the Company (at any stage) over total revenues from food retail operations in Chile.

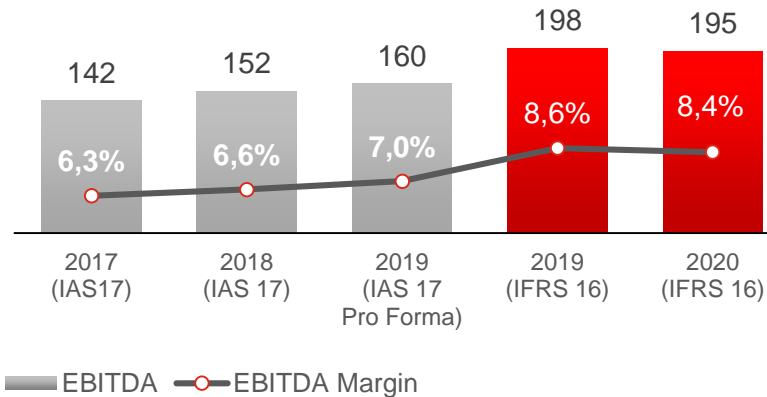
# 4Q20 Earnings

## EBITDA (1)

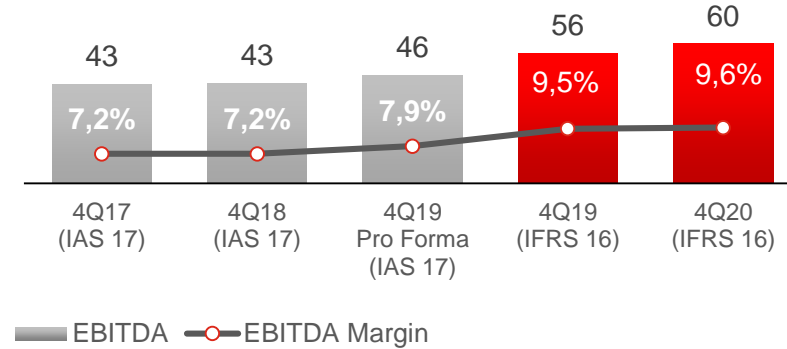
**EBITDA – Full Year (CLP Bn)**



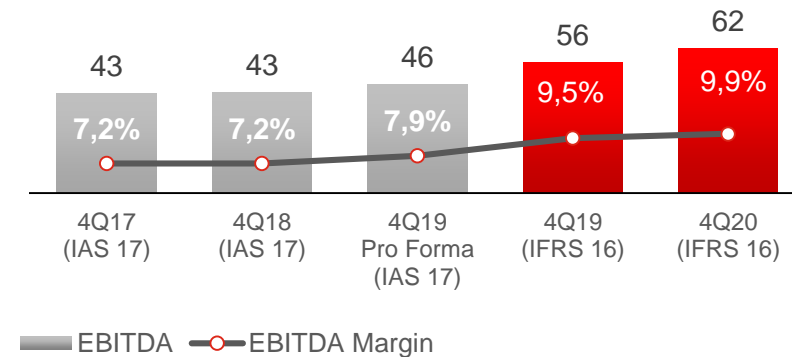
**EBITDA – Full Year, ex COVID Expenses (CLP Bn)**



**EBITDA – Fourth Quarter (CLP Bn)**



**EBITDA – Fourth Quarter, ex COVID Expenses (CLP Bn)**



EBITDA includes extraordinary COVID-related expenses:

- CLP 9.1 bn in 2020 and CLP 1.9 bn in 4Q20

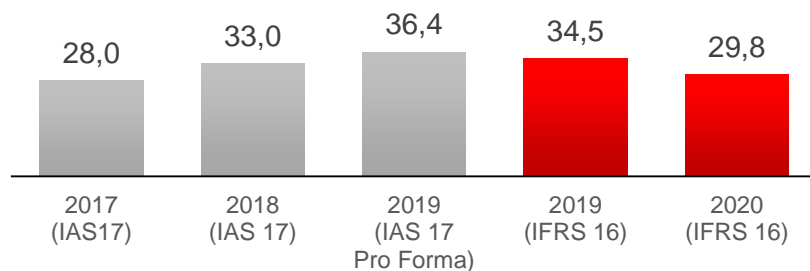
Significant recovery in 2H20

4Q20 EBITDA margin +10 bps (+40 bps ex COVID expenses)

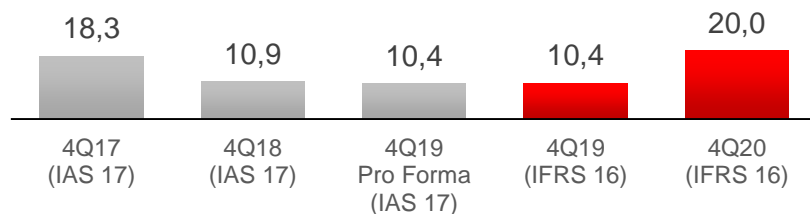
(1) EBITDA = Gross profit – administrative expenses – distribution costs + depreciation + amortization.



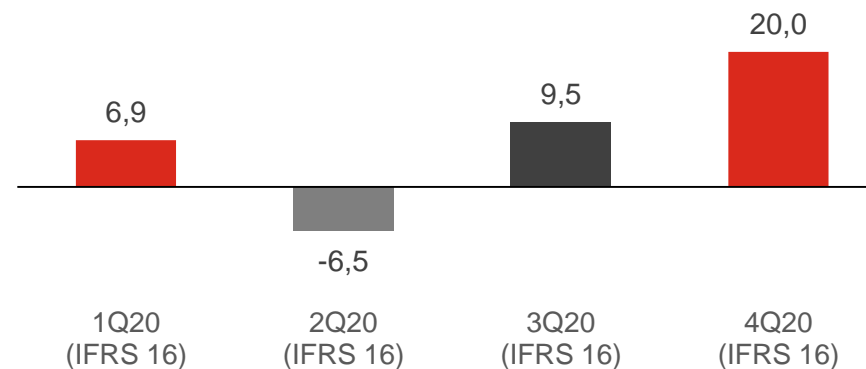
Net Income – Full Year (CLP Bn)



Net Income – Fourth Quarter (CLP Bn)



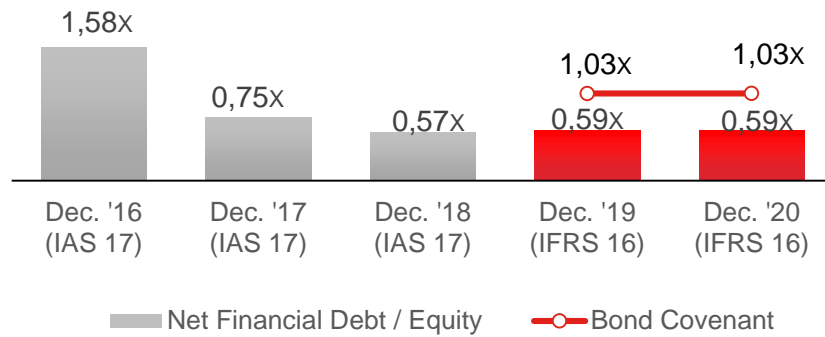
Quarterly Net Income – 2020 (CLP Bn)



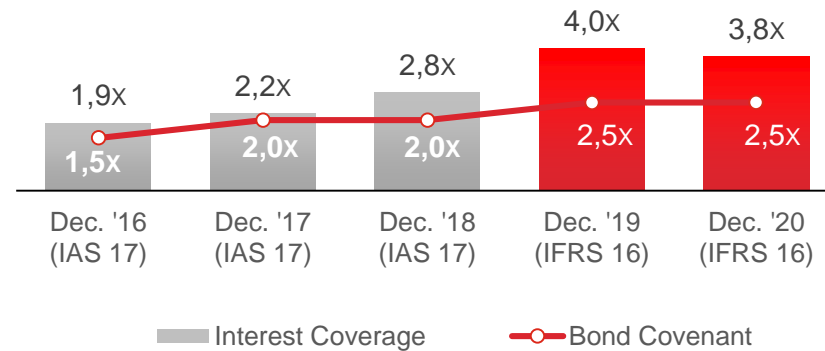
Recovery in 2H20

- Full year net income affected by loss in 2Q
- Significant recovery in 4Q20, accelerating 3Q trend and growing 92% over 4Q19

**Bond Covenant: Net Financial Debt / Equity <sup>(2)</sup>**



**Bond Covenant: Interest Coverage <sup>(3)</sup>**

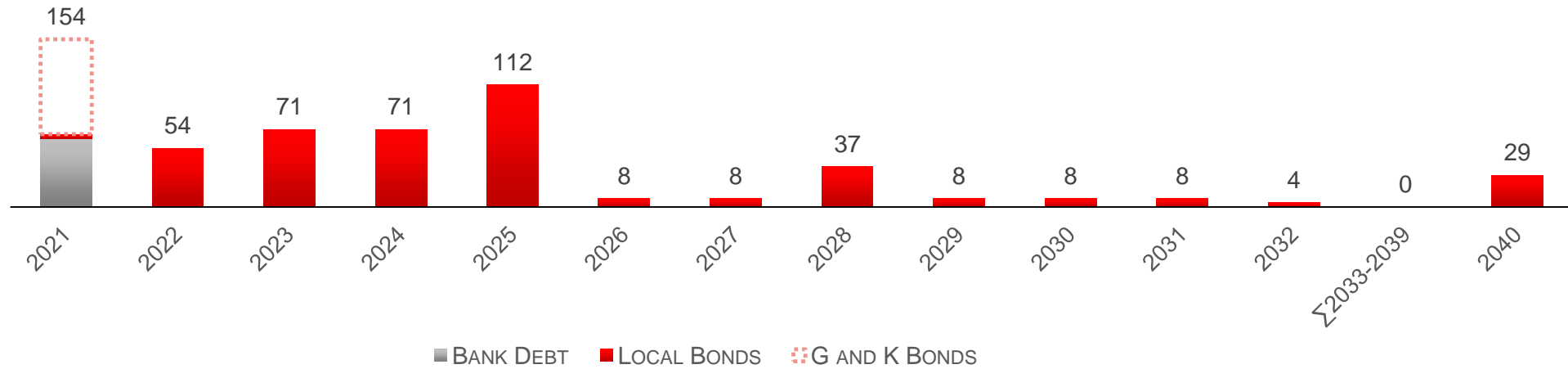


(1) Due to the implementation of IFRS 16 on Jan. 1, 2019, figures for 2019 and 2020 as reported are not comparable with figures for prior periods, when IAS 17 was in force. Pro forma IAS 17 figures have been provided for 2019 for illustrative purposes only, in order to facilitate comparative analysis over time.

(2) Net financial debt = (Total current and non-current financial liabilities minus (total current and non-current obligations for rights of use)) minus cash and cash equivalents

(3) Interest coverage = EBITDA/net financial expenses

**Debt Maturity Profile as of December 31, 2020**  
(Bonds and Bank Debt - CLP Bn)



**2021 Amortizations**

- Series G and K Bonds (UF 3 million) mature on March 25 and will be refinanced with proceeds from Series AL Bonds, placed in December 2020 for the same amount
- Bank debt corresponds to short-term revolving loans

## **AGENDA**

1. SMU 4Q20 Earnings
- 2. SMU Going Forward**

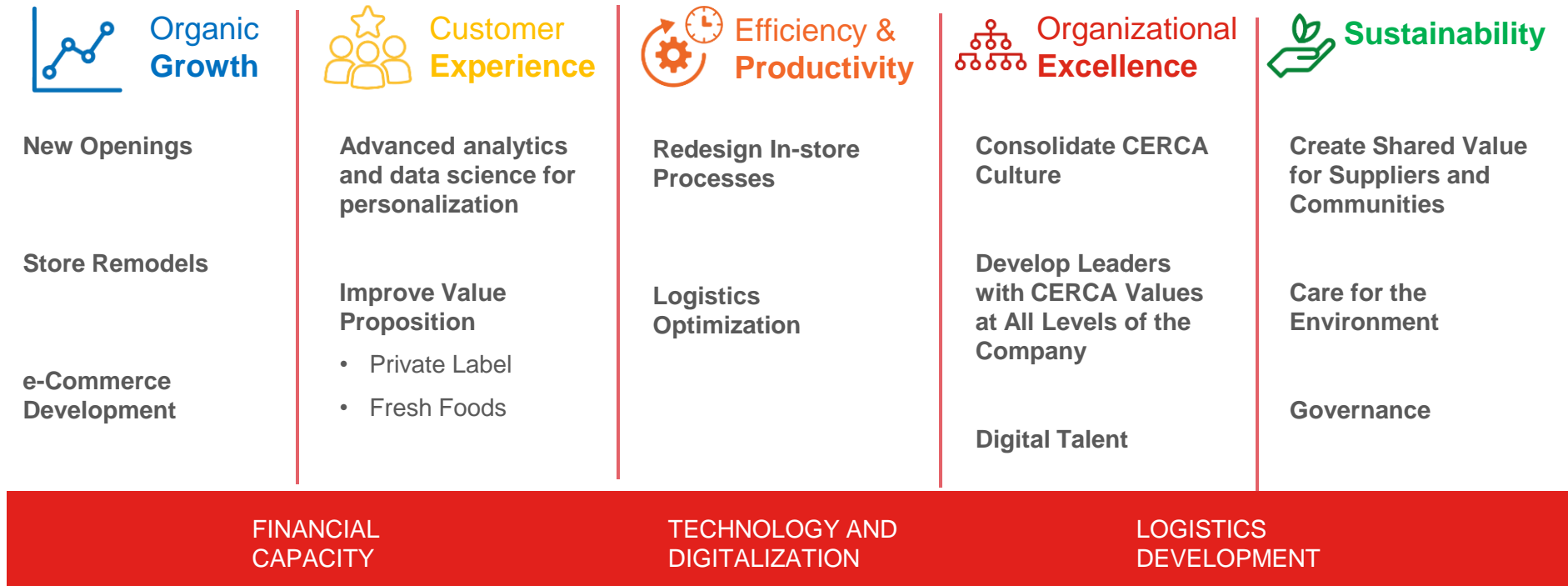


SMU  
Vision &  
Strengths

We strive to be the **food retailer** that best understands our **customers** and meets their needs, leveraging our **multiple formats**, **broad coverage** in terms of locations and population, and **deep customer insight**



Remain focused on customer experience, efficiency and productivity, organizational excellence, and sustainability, while accelerating organic growth in Chile and Peru



## Organic growth

Being closer to our customers with formats that meet their needs is part of our corporate purpose and drives our growth path and omnichannel strategy



### Close to our Customers

Our portfolio of formats serves all customer shopping missions with broad geographic coverage



### New Openings 2021-2023



15 Stores



6 Stores



30 Stores



5 Stores in  
2021



### Store Upgrades

Implementation of differentiated value propositions to our store portfolio, guided by customer needs and preferences

**Store upgrade plan includes 30 Unimarc and Alvi stores per year**



### e-Commerce

**Own platforms focused on “planned” shops:**

Satisfy top customer priorities:

- OTIF
- User experience
- Personalization

Develop micro-fulfillment center to optimize logistics

**Complement with partnerships with last milers for “express” shops**

## Customer Experience

Our customers are at the center of our decisions and our business strategy. Efforts to improve our value propositions are focused on customer needs and preferences



### Deep Customer Insights

+10MM identified customers  
(Representing 97% of sales)



### Advanced Analytics

Machine learning models and cutting-edge data science help us to truly understand our customers



unidata  
dunnhumby  
THE WORLD'S FIRST  
CUSTOMER DATA SCIENCE PLATFORM



### New Private Label Portfolio

Attractive new products at convenient prices

Private label offering grew 95% in 2020, with further expansion in 2021-2022



Daymon



### Fresh Food Offering

Special focus on fruits and vegetables, bakery, and butcher sections

Implementation of purchase programs and supplier development initiatives for produce

World class demand and replenishment planner based on AI to ensure product availability and assortment

## Efficiency & Productivity

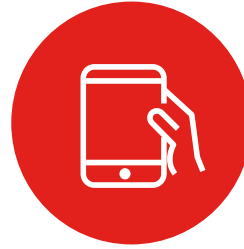
Through efficiency and productivity initiatives we aim to **improve product availability** and **check-out experience**, while **controlling operating expenses**



### Operating Platform

Distribution network supports broad geographic coverage

Existing ERP (SAP, ASR, Geocom) facilitates adoption of new technologies



### Redesign In-store Processes

#### Supply chain

- Centralization
- Efficient replenishment

#### Improve check-out experience

- Workforce management system to optimize staffing
- Self-checkout

#### Digitalization of in-store tasks



### Logistics Optimization

#### Network expansion

- Adding capacity to distribution centers

#### Freight cost optimization

- Transportation management system

#### Picking optimization

## Organizational Excellence

A shared vision and set of values are a fundamental part of implementing our strategy and fulfilling our corporate purpose of making our customers' lives easier



### CERCA Culture

Promotion of corporate values: Closeness, Excellence, Respect, Collaboration, and Agility



### Consolidate CERCA Culture

Internal Activities Focused on CERCA Values



Employee Engagement



### Develop CERCA Leaders

Employee Development Programs at Different Levels within the Company



### Digital Talent

Attracting and Developing Digital Talent To Support Company Strategy

- New organizational focus on in-house talent
- Growing number of agile cells operating internally

# Sustainability

As a leading food retailer, we have an **opportunity to create a positive impact** on a **significant number of stakeholders** by effectively managing our economic, social, and environmental performance



## Culture of Sustainability

Under 2017-2019 Plan, SMU laid the groundwork for more awareness and transparency across the organization



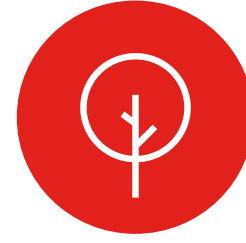
### Shared Value

#### Development of Local Suppliers

- 100% *Nuestro* Program

#### Community Relations

- Good Neighbor Policy
- Partnering with Foundations and Organizations



### Care for the Environment

#### Environmental Management Policy

#### Reduce Food Waste

#### Carbon Footprint Measurement

- Certified under *Huella Chile* since 2019



### Governance

#### Corporate Governance

- Specialized Board committees

#### Sustainability Governance

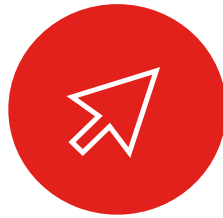
- Sustainability Committee
- Strengthening Corporate Sustainability Policy through addition of Human Rights Policy and Supplier Code of Conduct, et. al.

## Technology & Digitalization

Technology and digitalization play a **key role in the successful implementation of all five of the pillars** of our strategic plan for 2020-2022



Ongoing focus on growing technological capabilities and implementing the latest technology to serve our customers and optimize our operations



### Digitalization

**e-Commerce and loyalty programs**

**Data-driven company**

**Digitalizing in-store processes**

**Digital talent**



### Technological Renovation

**Adding omnichannel functionality to SAP**

- WMS, SuccessFactors, Ariba

**Automated replenishment for fresh products**



### Information Security

**Proactive defense**

**International best practices (ISO 27001 and ISO 27002)**



## Investment Plan

Investment plan for 2021 is focused on **strategic growth and efficiency initiatives**, with more than a third of expenditures related to **digitalization and technology**



### SMU Investment Plan 2021

(CAPEX + OPEX)

**\$70 bn**



Growth:  
**\$34 bn**

Store openings

Store remodels

e-Commerce

- Customer interface
- Operating model

Distribution network



Efficiency:  
**\$26 bn**

Technological renovation

Check-out experience



Plus OPEX for strategic initiatives:  
**\$10 bn**

Assortment optimization and store layout

Private label development



**Investments in technology, digitalization, and logistics: \$26 bn (37% of total)**

# THANK YOU

---

