Ahold Delhaize reports Q4 results; strengthens position as industry-leading local omnichannel retailer in 2021 and beyond

- In 2020, the Ahold Delhaize brands focused on fulfilling their vital role in society and meeting the challenges of COVID-19 by contributing €680 million to support customers, associates, and communities with COVID-19 relief care; brands also committed to contribute €1.4 billion to improve the security of associates' pension benefits.
- Associates across all the brands of Ahold Delhaize worked diligently to successfully maintain food and product supplies to local communities, to implement measures to keep customers and their colleagues safe, to care for their local communities, and to drive substantial progress in ESG initiatives in 2020; their efforts have helped Ahold Delhaize and its local brands solidify their positions as industry-leading local omnichannel retailers in each of their markets in 2021 and beyond.
- Net sales were €19.6 billion, up 18.0% in Q4 and up 14.2% in 2020 at constant exchange rates.
- In the U.S. and Europe, comparable sales excluding gas grew 11.2% and 10.6% in Q4, respectively, and were up 14.4% and 9.6% in 2020, respectively.
- Net consumer online sales grew 84.2% in Q4 and 67.4% in 2020 at constant exchange rates, including U.S. growth of 128.5% in Q4 and 105.1% in 2020.
- Underlying operating margin was 4.1% in Q4 and 4.8% in 2020; diluted underlying EPS was €0.53 in Q4 and €2.26 in 2020.
- IFRS-reported operating margin was 0.1% in Q4 and 2.9% in 2020, impacted by the U.S. pension plan withdrawals; as such, diluted EPS was €(0.01) in Q4 and €1.30 in 2020.
- 2020 free cash flow was €2.2 billion compared to guidance of at least €1.7 billion, despite a total of €609 million related to pension plan withdrawals and incremental pension funding payments, and net capital expenditures of €2.6 billion.
- 2021 outlook: Group net consumer online sales to grow over 30%; underlying operating margin to be at least 4%; underlying EPS to grow by mid- to high-single digits versus 2019; free cash flow to be approximately €1.6 billion, resulting in €5.6 billion in cumulative free cash flow from 2019-2021, which exceeds the Capital Markets Day 2018 target of €5.4 billion.

Zaandam, the Netherlands, February 17, 2021 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports fourth quarter results today.

The summary report for the fourth quarter can be viewed and downloaded at www.aholddelhaize.com.

Summary of key financial data

€ million, except per share data	Ahold Delhaize Group Q4 2020	% change constant rates	The United States Q4 2020	% change constant rates	Europe Q4 2020	% change constant rates	Ahold Delhaize Group 2020	% change constant rates	The United States 2020	% change constant rates	Europe 2020	% change constant rates
	(14 weeks 2020 vs. 13 weeks 2019)						(53 weeks 2020 vs. 52 weeks 2019)					
Net sales[1]	19,600	18.0 %	11,425	18.7 %	8,175	17.1 %	74,736	14.2 %	45,470	15.6 %	29,266	12.1 %
Comparable sales growth excl. gas	11.0 %		11.2 %		10.6 %		12.5 %		14.4 %		9.6 %	
Online sales[1]	1,869	75.1 %	632	128.5 %	1,236	56.5 %	5,547	59.8 %	1,968	105.1 %	3,579	42.7 %
Net consumer online sales[1]	2,604	84.2 %	632	128.5 %	1,972	73.4 %	7,576	67.4 %	1,968	105.1 %	5,608	57.4 %
Operating income (loss)	16	(97.7) %	(417)	NM[2]	481	46.5 %	2,191	(16.6) %	1,006	(43.0) %	1,380	21.4 %
Operating margin	0.1 %	(4.2) pts	(3.6) %	NM[2]	5.9 %	1.2 pts	2.9 %	(1.1) pts	2.2 %	(2.0) pts	4.7 %	0.4 pts
Underlying operating income	811	10.8 %	442	7.9 %	418	18.4 %	3,594	31.2 %	2,466	45.5 %	1,325	10.3 %
Underlying operating margin[1]	4.1 %	(0.3) pts	3.9 %	(0.4) pts	5.1 %	0.1 pts	4.8 %	0.6 pts	5.4 %	1.1 pts	4.5 %	(0.1) pts
Diluted EPS	(0.01)	NM[2]					1.30	(16.8) %				
Diluted underlying EPS[1]	0.53	7.3 %					2.26	35.3 %				
Free cash												

flow	262	(73.1) %		2,199	22.2 %

1. *For comparable information on a pro forma 13/52-week basis, refer to section* Pro forma information: financial data on a 13/52-week basis *in this press release.*
2. *Not meaningful, as operating income in the U.S. was a loss and diluted underlying EPS was negative in Q4 2020.*

Comments from Frans Muller, President and CEO of Ahold Delhaize

"In 2020, the effects of COVID-19 and social unrest deeply impacted the communities we serve, and created unprecedented challenges for the Ahold Delhaize brands. Despite these challenges, the hundreds of thousands of associates across all our brands, distribution centers, and support offices demonstrated courage and care in protecting the safety of our stores and distribution centers, while providing great customer service and community support. I would like to once again thank each and every one of them for their tremendous efforts in 2020.

"To support the efforts of associates across our brands and businesses, we made significant investments in additional safety measures, enhanced associate pay and benefits, and substantial charitable donations, which resulted in approximately €210 million in COVID-19-related costs in the fourth quarter, and a total of approximately €680 million in 2020. We also committed to contribute over €1.4 billion to improve the security of pension benefits for associates and reduce financial risk for Giant Food and Stop & Shop. In addition, we shifted capital expenditure spending in 2020 to accelerate investments in digital and omnichannel capabilities. As a result of these combined efforts, we believe we ended 2020 in a strategically stronger position than before the COVID-19 pandemic began. We remain focused on making additional investments, as needed, to meet associate, customer and community needs – including continued support of health and safety, which remains a top priority to enable us to further strengthen our brands' positions as leading local omnichannel retailers, now and in the future.

"We are pleased with the underlying Q4 performance in both the U.S. and Europe. Our leading local omnichannel platform generated nearly 130% net consumer online sales growth in the U.S. and nearly 75% growth in Europe in the quarter, at constant exchanges rates. This strong Q4 performance allowed us to exceed our underlying EPS outlook and produce €2.2 billion in free cash flow in 2020, despite significant payments to withdraw or improve the security of pension plans in the U.S. and the Netherlands, and our accelerated investments in digital and omnichannel capabilities.

"Last quarter, we outlined plans to invest in our business to solidify our position as an industry-leading local omnichannel retailer in 2021 and beyond in order to increase our share of the consumer wallet, and find ways to improve our online productivity. Since then, we continued to bring to life, and build upon, several important initiatives, including significantly increasing our online capacity, driven in part by opening over 1,130 U.S. click-and-collect locations to date; launching the GIANT Company Choice Pass on January 19th, which offers unlimited free grocery delivery and pickup with an annual membership fee of $98; and rolling out the no-fee home delivery service AH Compact to additional markets in the Netherlands. We are also exceeding the key multi-year financial targets we outlined at our 2018 Capital Markets Day. As a result, we feel increasingly confident about our prospects in 2021 and beyond, and are now setting more ambitious targets in several key areas of our business, which include:

- Group net consumer online sales grew to €7.6 billion in 2020, exceeding our target of €7 billion one year early. This includes bol.com net consumer online sales of €4.3 billion in 2020, which surpassed our target of €3.5 billion, also one year early. With increased capacity and continued momentum, we now expect Group net consumer online sales to grow over 30% in 2021, which includes over 60% growth in U.S. online sales and achieving a new target of at least €5 billion in net consumer online sales at bol.com.
- Improving online productivity across all of our brands is one of our highest priorities for 2021 and beyond. We will accelerate U.S. online grocery fulfillment productivity growth through end-to-end improvement of processes, systems, operating practices and innovation, beginning in 2021 and continuing through the end of 2022, which should result in a lower cost to serve. To improve efficiency even further, we will open an additional micro-fulfillment center with Autostore/Swisslog inside of a new omnichannel fulfillment center in Philadelphia in Q4 2021. In both the U.S. and Europe, we will utilize technology to improve route optimization in order to reduce last-mile costs. At bol.com, we are pleased with the team's ability to drive positive operating profits and double-digit return on capital in 2020, and we expect this to continue in 2021.

- We are raising our cumulative cost savings target for 2019-2021 to €2.3 billion, up from our previous target of €1.9 billion. We achieved €844 million in cost savings in 2020 and expect to achieve at least €750 million in additional cost savings in 2021, which is above our previous annual targets of €600 million for both years. These cost savings efforts will enable our brands to invest in providing more value and convenience to customers, and help us mitigate cost pressures in the business, which we expect will lead to a solid Group underlying operating margin profile in 2021, which is expected to be at least 4%.

"Importantly, for the benefit of all our stakeholders, we aim to strike the appropriate balance between investing in the health and safety of associates and customers, supporting our local communities, prioritizing environmental, social, and governance (ESG) initiatives, and returning capital to shareholders. We therefore propose a cash dividend of €0.90 for the financial year 2020, an increase of 18.4% compared to 2019, reflecting our ambition to sustainably grow our dividend per share. This represents a payout ratio of 40%, based on the expected dividend payment on underlying income from continuing operations on a comparable 52-week period."

Continued progress on initiatives to solidify position as industry-leading local omnichannel retailer in 2021+

Ahold Delhaize will continue to solidify its position as industry-leading local omnichannel retailer in 2021 and beyond, concentrating on (1) significantly stepping up online capacity, supply chain and technological capabilities; (2) advancing omnichannel offerings to customers; and (3) addressing the call to action in ESG. We would like to highlight the following initiatives, which add to and build upon many of the initiatives announced in Q3 2020:

Continuing to solidify our position as an industry-leading local omnichannel retailer in 2021+

- *We will expand our reach to additional customers in the New York trade area, adding incremental sales in the U.S., with the acquisition of Fresh Direct, an online grocer based in New York City, which closed on January 5, 2021.*
- *The acquisition of 39 stores from Deen Supermarkets in the Netherlands will expand our reach to additional customers in the region. The deal is expected to close in the second half of 2021.*
- *We will continue to optimize our fulfillment capabilities, while maintaining the flexibility to adapt with the marketplace; to this end, we announced a new partnership with Autostore/Swisslog to open a micro-fulfillment center inside of a new omnichannel fulfillment center in Philadelphia in Q4 2021.*
- *Albert Heijn expanded its "AH Compact" no-fee home delivery service targeting smaller households to additional markets in the Netherlands, with plans to expand to more markets in 2021.*
- *In November, Ahold Delhaize was recognized as a world leader in the Food and Staples Retailing sector according to the 2020 Dow Jones Sustainability World Index (DJSI World), based on climbing to the #1 position in the U.S./Europe and #2 globally in the S&P Global CSA. Our score of 83 out of 100 was a 14-point improvement on 2019 and well above the industry average of 31 points.*
- *We are committed to science-based targets for 2030 to halve carbon emissions from our operations and reduce value chain emissions by 15%. The Company achieved 17% emissions reduction from own operations in 2020 compared to 2018.*
- *In January, Albert Heijn announced it halved carbon emissions per store since 2008 and switched to 100% Dutch wind energy.*
- *U.S. is partnering with HowGood to bring customers an easy-to-use environmental and social impact rating system. Giant Food, The GIANT Company, and Stop & Shop began to offer the rating system to customers shopping online last week.*
- *U.S. brands joined the CEO Action for Diversity & Inclusion program, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace.*
- *U.S. brands were recognized as "Best Places to Work for LGBTQ+ Equality," receiving a perfect score on the Human Rights Campaign Foundation's 2021 Corporate Equality Index.*
- *In December, we closed a €1 billion sustainability-linked revolving credit facility. The facility draws a connection between its cost of borrowing and the achievement of the Company's ambitions to reduce food waste, reduce carbon emissions, and promote healthier eating as measured by percentage of own-brand food sales from healthy products.*

Q4 Financial highlights

Group net sales were €19.6 billion, up 12.8%, or 18.0% at constant exchange rates, driven largely by 11.0% comparable sales growth excluding gasoline. Group comparable sales were positively impacted by demand related to COVID-19. Group net consumer online sales grew 84.2% in Q4 at constant exchange rates. Group underlying operating margin in Q4 was 4.1%, down 0.3 percentage points from the prior year at constant exchange rates. Underlying operating margin was impacted by significant costs related to COVID-19, which amounted to approximately €210 million in Q4, a planned pension expense increase in the Netherlands, transition expenses related to the U.S. supply chain transformation initiative, and other one-time items in the U.S. These impacts were partly offset by a margin benefit of 0.2 percentage points from the calendar effect of a 14-week quarter, compared to 13-week quarter in 2019. Group IFRS-reported operating margin was 0.1% in Q4, impacted by the U.S. multi-employer pension plan withdrawal and settlement agreements.

U.S. comparable store sales excluding gasoline grew 11.2%, due largely to the COVID-19 outbreak. Brand performance was strong across the board. Online sales in the segment were up 128.5% in constant currency. Underlying operating margin in the U.S. was 3.9%, down 0.4 percentage points from the prior year at constant exchange rates, impacted by significant costs related to COVID-19. One-time items and the previously announced transition expenses related to the U.S. supply chain transformation initiative also unfavorably impacted margins by 0.5 percentage points. These impacts were partly offset by a margin benefit of 0.4 percentage points from the calendar effect of a 14-week quarter, compared to 13-week quarter in 2019.

Europe's comparable sales excluding gasoline grew 10.6%, positively impacted by demand related to COVID-19. Net consumer online sales in the segment were up 73.4%. Underlying operating margin in Europe was 5.1%, up 0.1 percentage points from the prior year at constant exchange rates. Operating leverage from higher sales growth was offset in part by higher costs related to COVID-19 as well as €11 million of pension expense in the Netherlands during the quarter. There was a margin benefit of 0.1 percentage points from the calendar effect of a 14-week quarter, compared to a 13-week quarter in 2019.

At bol.com, the online retail platform in the Benelux included within the Europe segment's results, net consumer sales grew by 69.6%. Bol.com's sales from third-party sellers grew 110% in the quarter, with over 41,000 merchant partners on the platform.

Underlying income from continuing operations was €561 million, down 1.0% in the quarter. Ahold Delhaize's net loss was €9 million, down in the quarter due primarily to previously announced provisions for U.S. multi-employer pension plan withdrawal and settlement agreements, which amounted to €841 million. Diluted EPS was €(0.01) and diluted underlying EPS was €0.53, up 2.8%. In the quarter, 12.3 million shares were purchased for €296 million, bringing the total amount to €1,001 million in 2020.

Outlook

COVID-19 continues to create significant uncertainty in 2021. In addition, COVID-19, and to a smaller extent, a 53-week calendar, significantly distorted Ahold Delhaize's 2020 financial results. Lapping these effects will impact 2021 results, which returns to a 52-week calendar.

In 2021, underlying operating margin is expected to be at least 4%. This outlook reflects a balanced approach with cost savings largely offsetting cost pressures. As there continues to be significant uncertainty due to COVID-19, a more specific range is not provided.

Underlying EPS is expected to grow by mid- to high-single digits relative to 2019. Management believes that framing 2021 underlying EPS guidance relative to 2019, which was prior to COVID-19 and also on a 52-week calendar, provides a helpful context.

Free cash flow is expected to be approximately €1.6 billion. This puts the Company on track to reach €5.6 billion in cumulative free cash flow from 2019-2021 (averaging nearly €1.9 billion annually), which exceeds the Capital Markets Day 2018 target of €5.4 billion (averaging €1.8 billion annually). Capital expenditure is expected to be around €2.2 billion, and reflects the Company's accelerated investments in digital and omnichannel capabilities and investments needed to improve recent M&A operations and capabilities. In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program in 2021, as previously stated.

	Full-year outlook	Underlying operating margin[1]	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow[2]	Dividend payout ratio[3 4]	Share buyback[4]
Updated outlook	**2021**	**At least 4%**	**Mid- to high-single-digit growth vs. 2019**	**> €750 million**	**~ €2.2 billion**	**~ €1.6 billion**	**40-50% year-over-year increase in dividend per share**	**€1 billion**

1. *No significant impact to underlying operating margin from returning to a 52-week calendar versus a 53-week calendar in 2020, though the return to a 52-week calendar will negatively impact net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 52-week basis. The margin includes a dilution of $50 million in transition expenses from the U.S. supply chain initiative.*
2. *Excludes M&A.*
3. *Calculated as a percentage of underlying income from continuing operations.*
4. *Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macroeconomic developments. The program is also subject to changes in corporate activities, such as material M&A activity.*

Pro forma information: financial data on a 13/52-week basis

Considering that the financial year consisted of 53 weeks in 2020, compared with 52 weeks in 2019, with the last quarter of 2020 having 14 weeks, compared to 13 weeks in 2019, Ahold Delhaize has prepared pro forma information in order to provide a comparable base for the results. The pro forma information presented below is intended to provide comparable information on a 13-week basis for the fourth quarter and 52-week basis for the full year of 2020 versus 2019.

This pro forma information represents an estimate of the results related to a 13-week period for Q4 2020 and a 52-week period for the full-year 2020, and is calculated by deducting the estimated results related to the 53rd week of 2020 from the reported results for the fourth quarter and the full-year 2020, as presented in the other sections of this press release.

€ million, except per share data	Pro forma information											
	Ahold Delhaize Group		The United States		Europe		Ahold Delhaize Group		The United States		Europe	
	Q4 2020	% change constant rates	Q4 2020	% change constant rates	Q4 2020	% change constant rates	2020	% change constant rates	2020	% change constant rates	2020	% change constant rates
	(13 weeks 2020 vs. 2019)						(52 weeks 2020 vs. 2019)					
Net sales	18,415	10.9 %	10,627	10.3 %	7,788	11.6 %	73,551	12.4 %	44,673	13.4 %	28,879	10.6 %
Online sales	1,743	63.4 %	581	109.5 %	1,163	47.2 %	5,422	56.2 %	1,916	99.4 %	3,506	39.8 %
Net consumer												

online sales	2,428	71.7 %	581	109.5 %	1,848	62.5 %	7,400	63.5 %	1,916	99.4 %	5,483	53.9 %
Underlying operating margin	3.9 %	(0.5) pts	3.5 %	(0.8) pts	5.0 %	— pts	4.8 %	0.6 pts	5.4 %	1.0 pts	4.5 %	(0.1) pts
Diluted underlying EPS	0.47	(6.0) %					2.20	31.4 %				

Cautionary notice

This communication contains information that qualifies as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as strengthens, 2021 and beyond, committed, improve, maintain(ing), constant, guidance, target, accelerate, remain(s), focus(ed), continued, further, future, to date, exceeding, increasingly, confident, prospects, ambitious, now, expect(ed), through, end of, 2022, should, enable, aim, propose, will, second half of 2021, plans, 2030, by, to bring, uncertain(ty), believes, provides, strategy, intended, subject to or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the “Company”) to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company’s inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; political developments, natural disasters, pandemics; climate change; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company’s suppliers; the unsuccessful operation of the Company’s franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company’s defined benefit pension plans; the failure or breach of security of IT systems; the Company’s inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company’s legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company’s outstanding financial debt; the Company’s ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company’s credit ratings and the associated increase in the Company’s cost of borrowing; exchange rate fluctuations; inherent limitations in the Company’s control systems; changes in accounting standards; adverse results arising from the Company’s claims against its self-insurance program; the Company’s inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; and other factors discussed in the Company’s public filings and other disclosures.

Forward-looking statements reflect the current views of the Company’s management and assumptions based on information currently available to the Company’s management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

Attachments

- 210216_AD_Q4FY_Press release
- 210216_AD_Q4FY_Summary report