Logista Q1 2017 Results

February 1, 2017

Logista reports Q1 2017 Results

Logista announces today its First Quarter Results for 2017. Main highlights:

- Revenues decreasing by 3.5%
- Economic Sales[1] up by 4.1%
- Adjusted Operating Profit recorded growth 6.2% while Profit from Operations grew by 1.5%
- The growth of 86.1% recorded by Net Income

Key Metrics Summary

Data in million euros	1 Oct. 2016 – 31 Dec. 2016	1 Oct. 2015 – 31 Dec. 2015	% Change
Revenues	2,283.0	2,366.2	(3.5)%
Economic Sales	261.5	251.1	4.1%
Adjusted Operating Profit	52.7	49.6	6.2%
Margin over Economic Sales	20.2%	19.8%	+40 b.p.
Profit from Operations	35.8	35.3	1.5%
Net Income	46.1	24.8	86.1%

In the first three months of current fiscal year no significant changes in growth trends have been observed at macroeconomic level in the countries where the Group operates, being Spain the country showing a higher improvement pace whereas France and Italy continued recording moderate GDP growths in line with those at closing of last fiscal year.

The Group's recurring activity during this period performed very positively in Iberia and Italy, where Economic Sales and Adjusted EBIT growths more than offset the slightly weaker performance of France. This was in spite of recording a €6.8 million non-recurring expense in Iberia during this period.

The decline at the **Revenues** level was mainly caused by the tobacco volume drop in France and Italy. However, in the case of Italy, the price increase taken by manufacturers in the third quarter of the previous fiscal year enabled to offset a large part of that drop.

The tobacco volumes distributed by the Group (cigarettes and RYO) during the quarter reduced by 5.7% in respect to the volumes distributed in the same period of fiscal year 2016, a trend in contrast to the trend recorded in the same period last fiscal year, when the yearly variation vs. fiscal year 2015 was +0.9%. As already mentioned, this fall was caused by the reduction of volumes in France and Italy while the volumes in Spain remained practically stable.

In December, after a rise in the tobacco excise taxes in Spain, there was a retail selling price increase by practically all manufacturers. However, in Italy, in November, there was a repositioning downwards in the price of some cigarette brands. In the French market there were not changes in the retail selling prices.

Economic Sales grew in practically all the activities of the Group, recording the most significant growths in Tobacco and related in Iberia and Transport.

Total operating costs grew by 3.6% below the growth of Economic Sales and remained practically stable vs. the same period of the preceding year if the recurring evolution of them is analysed (not considering the non-recurring expense of €6.8 million in the Iberia segment). The control of costs and

[1] *Economic Sales: This term equals Gross Profit and is used without distinction by the Management to refer to the figure resulting of subtracting Procurements to the Revenue figure.*

the constant efficiency improvement continue being one of the main axes of the operating model of the Group.

The **Adjusted EBIT** grew by 6.2% and the Adjusted EBIT margin over Economic Sales reached 20.2% compared to the 19.8% obtained in fiscal year 2016.

The weak evolution of the activity in the France segment has been the reason why the restructuring costs recorded in the first quarter (€4.2 million) were increased compared to the same period of the preceding year (€1.9 million). Profit from operations progressed by 1.5% with respect to the first quarter of fiscal year 2016.

The capital gain derived from the sale of one of the affiliates in the Italy segment caused and important rise of the financial results of the period, despite of the stability in the reference rate of the European Central Bank.

The reduction of the Corporate Income Tax rate in all the geographies, as well as the fact that the capital gain in the sale of the mentioned affiliate pays a very reduced rate, translated into a tax rate substantially lower than in the same period of fiscal year 2016 (18.7% vs. 33.5%).

The **Net Income** growth reached 86.1%.

Revenues Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2016 – 31 Dec. 2016	1 Oct. 2015 – 31 Dec. 2015	% Change
Iberia	**653.8**	**647.1**	**1.0%**
Tobacco & Related	561.2	554.0	1.3%
Transport Services	85.2	83.2	2.3%
Other Businesses	29.7	33.3	(10.6)%
Adjustments	(22.3)	(23.4)	4.9%
France	**1,012.4**	**1,093.9**	**(7.5)%**
Tobacco & Related	968.6	1,044.6	(7.3)%
Other Businesses	45.3	50.8	(11.0)%
Adjustments	(1.5)	(1.5)	(3.1)%
Italy	**624.7**	**632.1**	**(1.2)%**
Tobacco & Related	624.7	632.1	(1.2)%
Corporate & Others	**(7.9)**	**(6.9)**	**(13.9)%**
Total Revenues	**2,283.0**	**2,366.2**	**(3.5)%**

Economic Sales Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2016 – 31 Dec. 2016	1 Oct. 2015 – 31 Dec. 2015	% Change
Iberia	**133.8**	**123.1**	**8.7%**
Tobacco & Related	66.3	58.5	13.2%
Transport Services	59.7	57.9	3.1%
Other Businesses	18.0	17.4	3.5%
Adjustments	(10.2)	(10.7)	5.2%
France	**70.5**	**71.0**	**(0.7)%**
Tobacco & Related	59.7	59.5	0.5%
Other Businesses	12.1	12.8	(5.5)%
Adjustments	(1.3)	(1.3)	(4.5)%
Italy	**56.9**	**55.5**	**2.5%**
Tobacco & Related	56.9	55.5	2.5%
Corporate & Others	**0.3**	**1.5**	**(78.8)%**
Total Economic Sales	**261.5**	**251.1**	**4.1%**

Adjusted EBIT Evolution (By Segment)

Data in million euros	1 Oct. 2016 – 31 Dec. 2016	1 Oct. 2015 – 31 Dec. 2015	% Change
Iberia	**23.4**	**19.9**	**17.2%**
France	**16.0**	**18.8**	**(14.8)%**
Italy	**16.6**	**14.1**	**17.5%**
Corporate & Others	**(3.3)**	**(3.2)**	**(1.5)%**
Total Adjusted EBIT	**52.7**	**49.6**	**6.2%**

Adjusted Operating Profit (or indistinctly Adjusted EBIT) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is basically calculated by deducting from the Profit from Operations all those expenses that are not directly linked to the Revenue obtained by the Group during each period, which facilitates the analysis of the evolution of operating expenses and typical margins of the Group. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit for the first quarter of fiscal years 2017 and 2016 is shown:

Data in million euros	1 Oct. 2016 – 31 Dec. 2016	1 Oct. 2015 – 31 Dec. 2015
Adjusted Operating Profit	**52.7**	**49.6**
(-) Restructuring Costs	(4.2)	(2.0)
(-) Amortization of Assets Logista France	(13.1)	(13.1)
(-) Net Loss of Disposal and Impairment of Non-Current Assets	(0.0)	0.7
(-) Share of Results of Companies and Others	0.4	0.1
Profit from Operations	**35.8**	**35.3**

I. Business Review

A. Iberia: Spain and Portugal

The Iberia segment's Revenues reached €653.8 million compared to €647.1 million in the first quarter of fiscal year 2016, recording a 1.0% growth. The Economic Sales of the segment reached €133.8 million, an 8.7% above the €123.1 million recorded in the same period of the preceding fiscal year.

Revenues in **Tobacco and related products** increased by 1.3% as a consequence of the stability in the distributed volumes and retail selling price increase of tobacco and the growth in revenues from the rest of the products.

While in fiscal year 2016 there were not retail selling price increases of tobacco products, in the first quarter of current fiscal year, after an excise taxes rise, the were some up and down movements in prices that resulted, at quarter closing, in an increase of 10 cents per pack by the majority of manufacturers of these products.

The cigarette volumes distributed in Spain continued showing a good performance being slightly higher with respect to previous year (+0.3%) although growth in the first quarter of fiscal year 2016 was already positive (+1.0%). However, the distributed volumes of RYO continued reducing (-2.5% vs. -1.6%) as well as the cigar volumes (-4.4% in front of -0.2%).

The revenues from the distribution of convenience products recorded a significant growth. It is noteworthy that in the second quarter of last year a new distribution agreement was incorporated to the activity previously existing, adding to the portfolio expansion through new product lines and to the commercial boost that is being carried out in this business line.

The stability of tobacco distributed volumes in Spain, the improvement of margins in Portugal, the increase of value added services and transport as well as the good evolution of sales of other products in the period, translated into Economic Sales growth of Tobacco and related products of 13.2% in respect to the first quarter of the preceding year.

Revenues in **Transport** were grew by 2.3%. The parcel and courier activities recorded increases in Revenues and Economic Sales while full truck load activity remain practically stable reflecting the tobacco volume drops suffered by France and Italy. Economic Sales increased by 3.1% up to €59.7 million.

The number of shipments in the courier activity continued growing at a close to double digit rate and it is noteworthy the strength of indicators recorded during the Christmas campaign.

Revenues in **Other Businesses** (which includes Pharma, lottery and publications distribution activities) reduced by 10.6% reaching €29.7 million while Economic Sales went up by 3.5% to €18.0 million.

In the Pharma activity, after the important growth registered by the sales in the last quarter of the previous fiscal year, the first two months of the current fiscal year had a somewhat weaker performance in general, that was offset at the Economic Sales level through the increase of services to manufacturers and pharmacies. The delay in the incorporation of 2 new clients, foreseen for December and not materialised until January added to it.

The reported total operating expenses grew by 7.0% but, as previously mentioned, non-recurring expenses up to €6.8 million were recorded in the period so the recurring operating expenses growth was only 0.4%.

Adjusted Operating Profit reached €23.4 million what represents a progress of 17.2% with respect to the same period last year.

During the period there were almost no restructuring costs, while in the previous year reached €1.9 million. Thus, Profit from Operations reached €23.9 million versus €17.9 million recorded in the first quarter of the previous year.

B. France

Revenues from the France segment reduced by 7.5% to €1,012.4 million and Economic Sales by 0.7% to reach €70.5 million.

Tobacco and related products Revenues declined by 7.3% to €968.6 million mainly due to the sharp decline experienced by distributed tobacco volumes in respect to the same period last year in cigarettes (-7.1%) and in RYO (-6.2%) despite the retail selling price stability between both periods.

When analysing the reasons that may have caused this evolution, to factors have to be taken into account.

The first one is the sharp rise experienced by volumes in the first quarter of fiscal year 2016 after the terrorist attacks suffered in Paris and the following country's borders closure (c. +10.0% in November and c. +4.0% in December) which offers an abnormally high year-on-year comparison base.

The second one is related to the important growth recorded by the distributed volumes during the last quarter of the said fiscal year (+2.0% cigarettes and RYO) as well as the proximity to entry into force of the new packaging regulation. The first quarter of fiscal year 2017 has been the last before full implementation of plain packaging in France as from 1 January 2017 the tobacconists can only sell complaint packs to the consumers. Probably, the stock management from tobacconists in this period of transition from one pack to the other has been the main reason behind this sudden change in trend.

Since the beginning of current fiscal year, the distribution contracts in France with British American Tobacco and Japan Tobacco International have been renewed for a period of 4 years in both cases.

The revenues from electronic transactions reduced significantly as well. The revenues of convenience products remained at a very similar level to the same period of fiscal year 2016.

The Economic Sales from the activity were slightly higher than the previous year (+0.5% to €59.7 million) thanks to higher margins of Economic Sales over Revenues in electronic transactions, to the mix of unitary distribution fees as a result of the decline in tobacco volumes and to the increase in value added services rendered.

The performance of the **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels), in a still difficult consumption environment in the convenience channel did not show recovery signs during the firsts months of current fiscal year. A fall of 11.0% in Revenues and of 5.5% in Economic Sales were recorded, reason why a restructuring of the business was started.

The total operating costs of the segment increased by 4.4% translating into a reduction in **Adjusted Operating profit** to €16.0 million, a 14.8% lower than in the preceding year.

The increase in restructuring expenses (€3.8 million) compared to previous year led Profit from Operations to €-0.9 million well below that obtained during the same period in fiscal year 2016 (€5.8 million). The main adjustment in the segment is the Amortization of Assets generated from the acquisition of Logista France that was €13.1 million in both periods.

C. Italy

The retail selling price increase of tobacco products carried out by the manufacturers in the third quarter of fiscal year 2016 as well as the significant increase in sales of convenience products during the first three months of current fiscal year enabled to offset almost completely the impact of the sharp decline of tobacco volumes distributed and, thus, Revenues in the Italy segment reached €624.7 million a 1.2% below the €632.1 million obtained in the first quarter of the previous fiscal year.

Cigarette distributed volumes declined by 9.7% compared to the 0.4% drop recorded last year. The RYO category grew by 8.0% vs. an increase of 4.1% in the preceding year.

This evolution is probably caused to a large extent by the entry into force on 1 October 2016 of the ban of sales of 10- cigarette packs. As the macroeconomic growth of the country is still very moderate, the existence of a cigarette pack with a lower price (as it contains half of the cigarettes) made its purchase affordable for a higher number of smokers.

Although generally the cigarette retail selling prices remained stable during the first quarter of current fiscal year, a small number of brands have reduced their prices between 20 and 30 cents per pack. In the same period last fiscal year there were not price movements.

The commercial strategy followed by the segment, in line with the business model of the Group, continued providing satisfactory results that materialised in double digit growths in Revenues and Economic Sales in the convenience products distribution activity. This fact as well as the increase in the value added services rendered to manufacturers resulted in higher Economic Sales in the Italy segment (€56.9 million, 2.5% higher to those obtained in the first quarter of fiscal year 2016).

Total operating costs reduced by 2.6% with respect to last year, above the decline of the recurring activity thanks to the constant actions carried out to improve the operating efficiency.

Adjusted Operating Profit increased by 17.5% reaching €16.6 million, a similar level to Operating Profit due to the almost full lack of restructuring costs during the period.

D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit remained stable compared to previous year and reached -€3.3 million.

II. Financial Overview

A. Financial Result Evolution

Financial results grew by 842.8% to reach €21.0 million vs. €2.2 million obtained in the previous year mainly due to the capital gain recorded after the sale, during the first quarter, of an affiliate in the Italy segment, the e-bank ITB, aimed to provide service to the tobacconist network in Italy.

The interest rate used as a reference in the treasury agreement with our majority shareholder (European Central Bank main rate), over which a 75 b.p. spread is obtained under that agreement, stood still during the first three months of the fiscal year at 0.0% whereas in the same period of last year was 0.05%.

The average cash position during the fiscal year was €1,562 million compared to €1,458 million in the first quarter of previous fiscal year.

B. Net Income Evolution

Earnings before Taxes increased by 51.8% to €56.8 million and Net Income increased by 86.1% to reach €46.1 million.

The unusually low effective consolidated tax rate recorded in the period, 18.7% vs. 33.5% in the same period last year, is explained in its vast majority by the fact that the capital gain derived from the sale of the affiliate in Italy pays a much reduced rate. Moreover, it so happens that the nominal corporate tax rates in all geographies where the Group operates have been reduced.

Earnings per Share were €0.35 vs. €0.19 in the first quarter of 2016, with no variations in the number of shares.

At the end of the first quarter, the Company owned 308,949 own shares.

C. Cash Flow

The seasonality of the Group's business results in a negative cash flow during the first and second quarters of the fiscal year that is recovered during the second half, usually reaching its peak around year end.

The cash generation at closing of the first quarter of current fiscal year was significantly higher than at closing of the first quarter in fiscal year 2016, despite the better results obtained by the Group in the period, due to the reduction in the negative working capital derived from the lower tobacco distributed volumes, the higher corporate income tax payments compared to the same period last year and the increase of investments.

No dividend payments were made during the first quarter of current fiscal year or during the same period last year.

D. Dividend Policy

The Board of Directors intends to propose to the General Shareholders Meeting distributing a final dividend corresponding to fiscal year 2016 of €86.1 million (€0.65 per share) that will be payable at the end of the second quarter of fiscal year 2017.

Additionally, the Board of Directors agreed past 26 July to distribute an interim cash dividend corresponding to fiscal year 2016 of €0.25 per share (slightly more than €33.1 million). The payment was effective on 29 August, 2016.

Therefore, the total dividend corresponding to fiscal year 2016 will be €119.3 million (€0.90 per share), a 21.6% higher than the total dividend distributed in fiscal year 2015.

E. Outlook

Given the current situation in the different markets in which the Group operates, similar growth levels in Adjusted EBIT and Net Income than in fiscal year 2016 are expected in fiscal year 2017.

Nevertheless, it is important to highlight the existing uncertainties around the impact that the enforcement of plain packaging may have on the consumption of tobacco in France. There is scarce experience in other countries regarding the implementation of similar measures so it is difficult to evaluate the repercussions that it might have on market dynamics.

At the moment, a certain degree of uncertainty exists as well over how the tobacco excise taxes in the different geographies may evolve in the fiscal year and the decisions that, as a consequence of it, manufacturers could take on the retail selling prices of those products.

For more information:

investor.relations@grupologista.com

+34 91 481 98 26

Appendix

P&L

Data in million euros	1 Oct. 2016 – 31 Dec. 2016	1 Oct. 2015 – 31 Dec. 2015	% Change
Revenues	**2,283.0**	**2,366.2**	**(3.5)%**
Eco. Sales	**261.5**	**251.1**	**4.1%**
(-) Distribution Costs	(172.3)	(165.3)	(4.2)%
(-) Sales and Marketing Expenses	(16.3)	(16.4)	0.5%
(-) Research Expenses and G&A Expenses	(20.2)	(19.8)	(2.2)%
Total Costs	**(208.8)**	**(201.5)**	**(3.6)%**
Adjusted EBIT	**52.7**	**49.6**	**6.2%**
Margin %	*20.2%*	*19.8%*	*+40 b.p.*
(-) Restructuring Cost	(4.2)	(1.9)	(112.0)%
(-) Amort. of Intangibles Logista France	(13.1)	(13.1)	0.0%
(-) Net Loss on Disposal and Impairments	(0.0)	0.7	(106.3)%
(-) Share of Results of Companies and Others	0.4	(0.0)	1,327.8%
Profit from Operations	**35.8**	**35.3**	**1.5%**
(+) Financial Income	21,3	3,1	574,8%
(-) Financial Expenses	(0,3)	(1,0)	65,2%
Profit before taxes	**56.8**	**37.4**	**51.8%**
(-) Corporate Income Tax	(10.7)	(12.5)	15.3%
Effective Income Tax Rate	*18.7%*	*33.5%*	*+1,480 b.p.*
(+/-) Other Income / (Expenses)	(0.0)	(0.0)	72.0%
(-) Minority Interest	(0.0)	(0.1)	77.8%
Net Income	**46.1**	**24.8**	**86.1%**

Cash Flow Statement

Data in million euros	1 Oct. 2016 – 31 Dec. 2016	1 Oct. 2015 – 31 Dec. 2015	Change
EBITDA	**61.3**	**58.9**	**2.4**
Working Capital Variations and Others	(619.5)	(348.6)	(270.9)
Corporate Income Tax Paid	(8.0)	(0.9)	(7.1)
Financial and Others Flows	21.0	2.6	18.4
Cash Flow From Operating Activities	**(545.2)**	**(288.0)**	**(257.2)**
Net Investments	(5.9)	(3.3)	(2.6)
Economic Free Cash Flow	**(551.1)**	**(291.3)**	**(259.8)**
% over EBITDA	*(899)%*	*(495)%*	

Balance Sheet

Data in million euros	31 December 2016	30 September 2016
PP&E and other Fixed Assets	206.9	208.7
Net Long Term Financial Assets	6.6	28.6
Net Goodwill	919.1	919.1
Other Intangible Assets	588.3	602.4
Deferred Tax Assets	23.9	22.4
Net Inventory	1,274.0	1,085.8
Net Receivables and Others	1,542.6	1,793.1
Cash & Cash Equivalents	1,436.5	2,062.7
Total Assets	**5,997.9**	**6,722.8**
Group Equity	517.4	489.8
Minority interests	2.1	2.1
Non Current Liabilities	45.6	37.6
Deferred Tax Liabilities	324.9	328.7
Short Term Financial Debt	31.9	33.6
Short Term Provisions	17.4	17.1
Trade and Other Payables	5,058.6	5,813.9
Total Liabilities	**5,997.9**	**6,722.8**

Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2016 – 31 Dec. 2016	**1 Oct. 2015 – 31 Dec. 2015**	**1 Oct. 2014 – 31 Dec. 2014**	**1 Oct. 2016 – 31 Dec. 2016**	**1 Oct. 2015 – 31 Dec. 2015**
TOTAL					
Cigarettes	38,829	41,377	41,066	(6.2)%	0.8%
RYO/MYO/Others	5,027	5,135	5,027	(2.1)%	2.2%
Cigars	927	990	1,004	(6.4)%	(1.3)%
SPAIN					
Cigarettes	11,239	11,207	11,096	0.3%	1.0%
RYO/MYO/Others	1,552	1,592	1,617	(2.5)%	(1.6)%
Cigars	504	528	529	(4.4)%	(0.2)%
PORTUGAL					
Cigarettes	430	432	398	(0.3)%	8.4%
RYO/MYO/Others	28	36	41	(22.7)%	(11.1)%
Cigars					
FRANCE					
Cigarettes	10,629	11,436	11,198	(7.1)%	2.1%
RYO/MYO/Others	2,249	2,398	2,303	(6.2)%	4.1%
Cigars	290	343	353	(15.4)%	(2.9)%
ITALY					
Cigarettes	16,530	18,302	18,373	(9.7)%	(0.4)%
RYO/MYO/Others	1,198	1,109	1,066	8.0%	4.1%
Cigars	132	120	122	10.5%	(1.8)%

Disclaimer

This document has been prepared by Compañía de Distribución Integral Logista Holdings, S. A. (“Logista Holdings” or “the Company”) for information purposes, and does not constitute an offer of purchase, sale or exchange, neither an invitation for an offer of purchase, sale or exchange of shares of the Company, or any advice or recommendation with respect to such shares.

This document contains certain statements that constitute or may constitute forward looking statements about the Company, including financial projections and estimates and their underlying assumptions, which are not guarantee of future performance or results, and are subject to risks, uncertainties and other important factors beyond the control of Logista Holdings that could cause final performance or results materially different from those expressed in these statements. These risks and uncertainties include those discussed or identified in the documents filed by Logista Holdings with the relevant Securities Markets Regulators, and in particular, with the Spanish Market Regulator.

Analysts and investors are cautioned not to place any reliance on such forward looking statements, which reflect knowledge and information available as of the date of this document. The Company does not undertake to update or revise publicly these forward looking statements in case unforeseen changes or events occur which could affect these statements, even if these changes or events make clear that the statements shall not be realized.

Finally, it should be noted that this document may contain information which has not been audited and may contain summarized information. This information is subject to, and must be read in conjunction with, all other publicly available information, including if it is necessary, any fuller disclosure document published by Logista Holdings.