

# FUTURE RETAIL



## FUTURE RETAIL LIMITED

### Q2 FY18 Investor Presentation

November 2017



## Better Stores, Better Assortment, Better Experience



Particulars (₹ cr.)	Q2 FY18	H1 FY18
Income From Operations	4,506	9,211
Gross Margins %	25.7%	25.3%
EBIT	203	404
EBIT%	4.5%	4.4%
PAT	153	301
PAT%	3.4%	3.3%
Same Store Sales Growth %	10.2%	11.0%

### Key performance highlights:

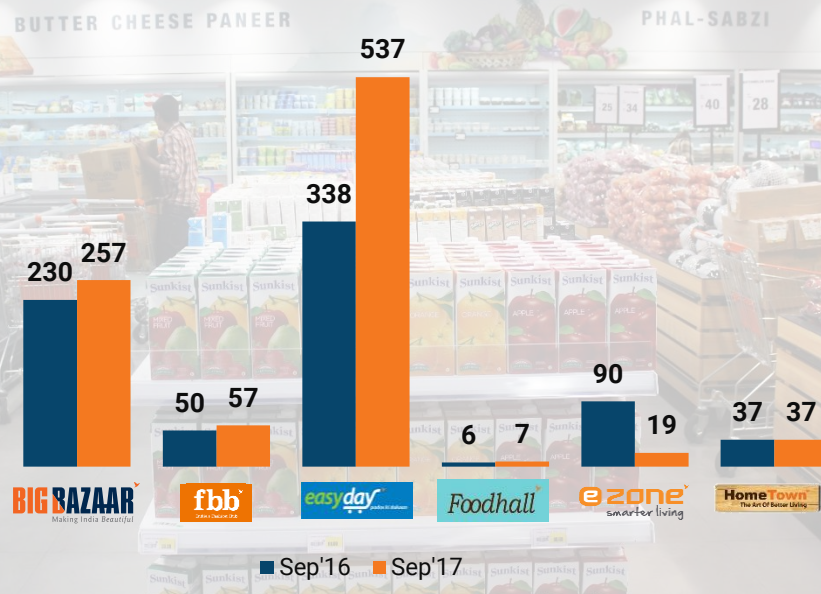
- GST roll-out successfully completed
- Achieved overall growth of 13% in H1FY18 over H1FY17
  - Y-o-Y growth is 22% excluding eZone rationalization and GST impact
- Consistent margin expansion:
  - Gross Margin @ 25.7% v/s 24.7% on Y-o-Y basis
  - **EBIT** margin @ 4.5% v/s 3.0% on Y-o-Y basis
- Delivered **PAT** of ₹ 301cr (3.3%) for H1FY18
- **Continued inventory optimization:** 79 days as on Sep' 17

### Key strategic updates:

- Announced the acquisition of Hypercity Retail (India) Ltd
- Easyday Savings Club: 2.5 lakh members v/s 2 lakh as of June'17
  - **Members are spending and visiting 3 – 3.5x higher** than non members
- Future Pay: Unique user base of **>2.8 million** users with the average spend per user **tripling** since its launch

## Store Network & Retail Space (mn sqft)

Sep' 17	10.57	0.58	1.25	0.09	0.21	0.85
Sep' 16	9.81	0.50	0.76	0.08	0.50	1.25



## Geographical Spread

	Formats	Stores	States / UT	Cities
Large Stores	BIG BAZAAR	257	26	130
	fbb	57	18	35
	ezone	19	7	10
	Foodhall	7	4	4
Small Stores	easyday	537	13	11 <sup>#</sup>
Others	HomeTown	37	12	21
Cumulative		914	26	253

# Clusters | As on 30 Sep 2017

Total retail space:

13.6 mn sq.ft

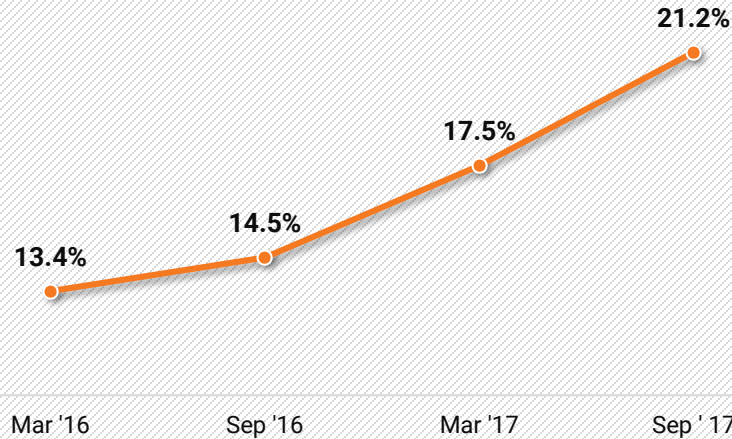
## New Cities Entered

- **Big Bazaar:** Hajipur in Bihar, Puri in Odisha, Raigarh in Chattisgarh
- **fbb:** Cuttack and Bhubaneshwar in Odisha, Coimbatore in Tamil Nadu
- All new Easyday stores opened in existing clusters

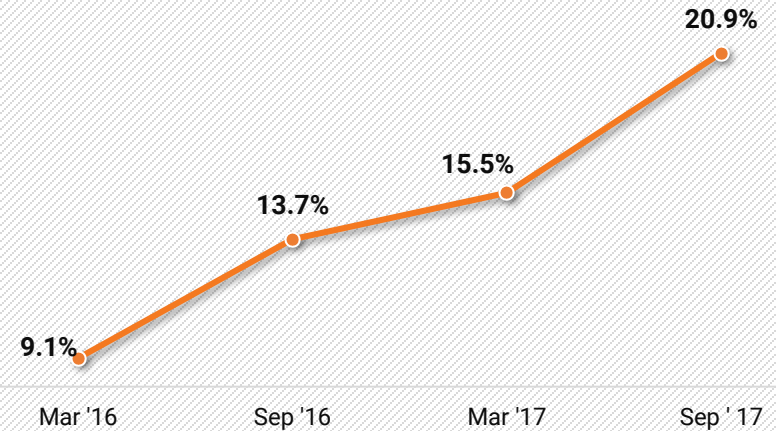
# Performance Update



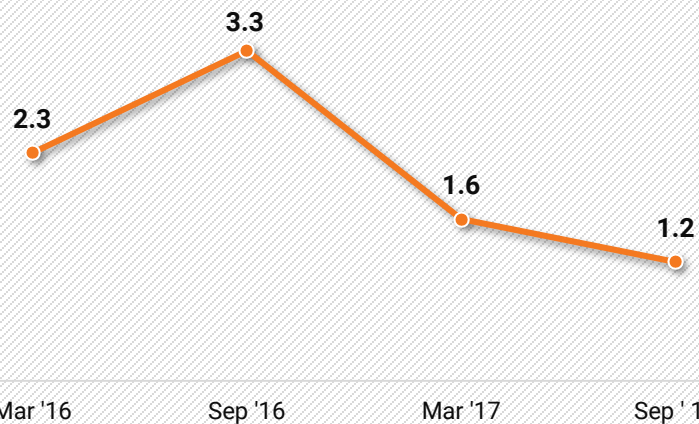
## ROCE



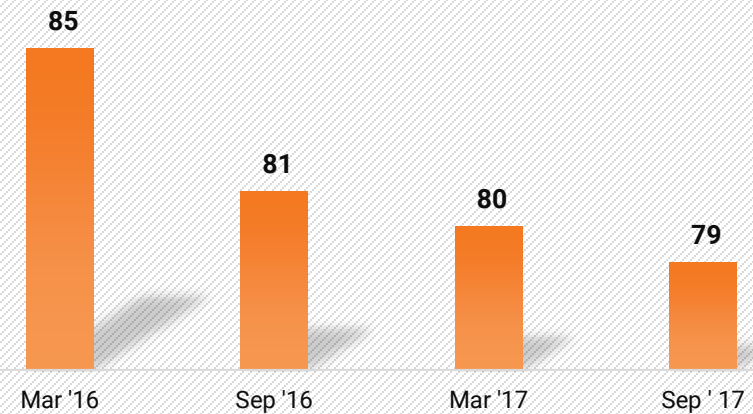
## ROE



## Net Debt/EBIT



## Inventory Days (Revenue)



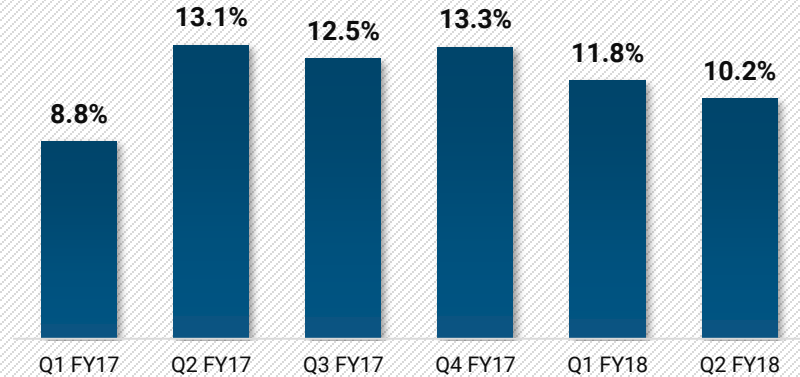
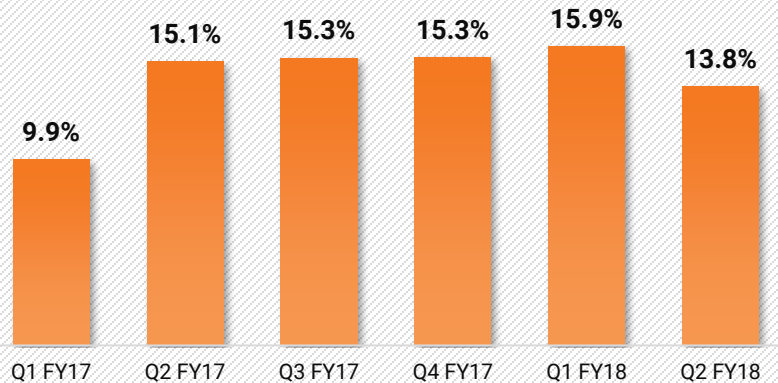
Note: The ratios pertaining to FY16 have been derived on a comparable basis

- Net Debt / EBIT = (Borrowings – Cash & Bank Balances) / EBIT
- ROCE = EBIT / Average (Equity + Optionally convertible debentures + Borrowings – Cash & Bank Balances)
- ROE = PAT / Average (Equity + Optionally convertible debentures)
- Inventory days = (Inventory / Income from Operations) \* 365

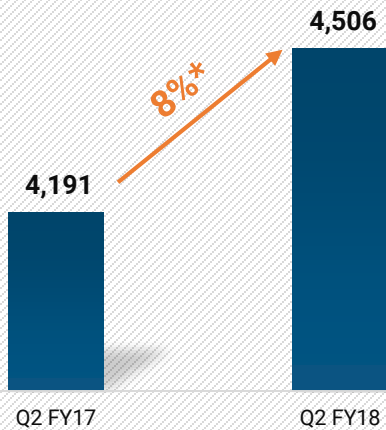




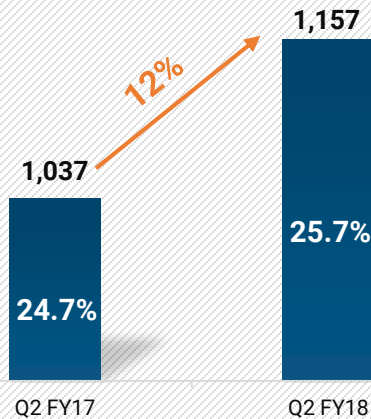
## Same Store Sales Growth (%)



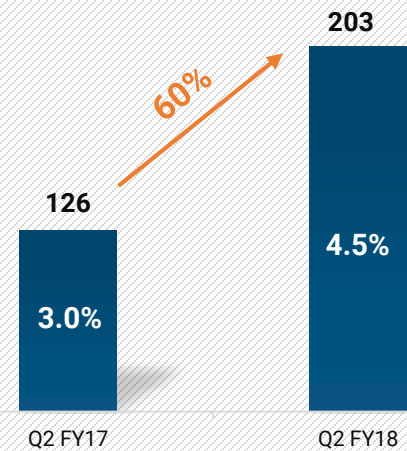
## Income from Operations (₹ cr.)



## Gross Margin (₹ cr.)



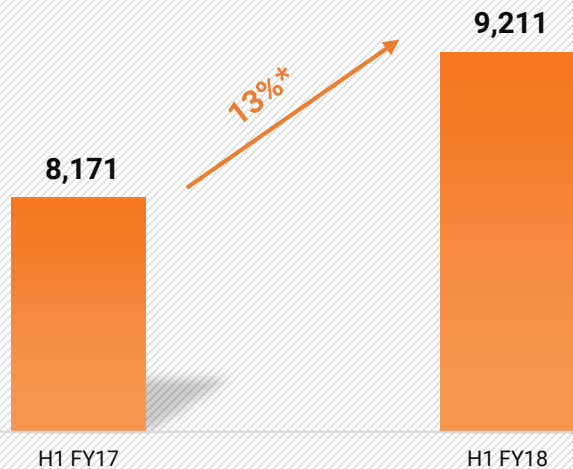
## EBIT Margin (₹ cr.)



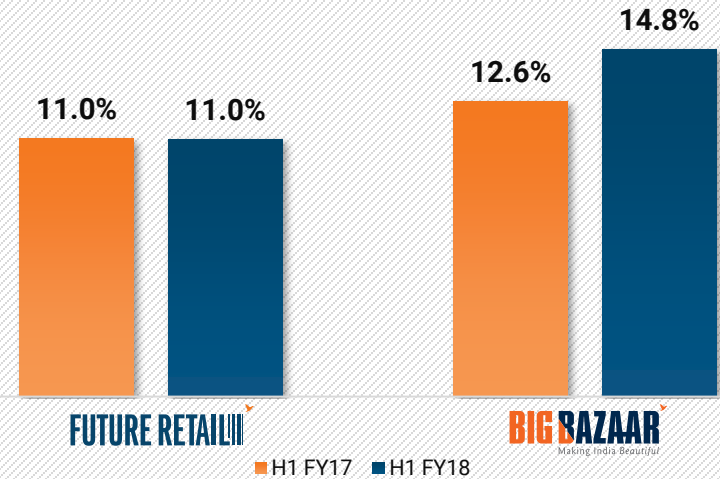
\*Y-o-Y growth is ~20% excluding eZone rationalization and GST impact



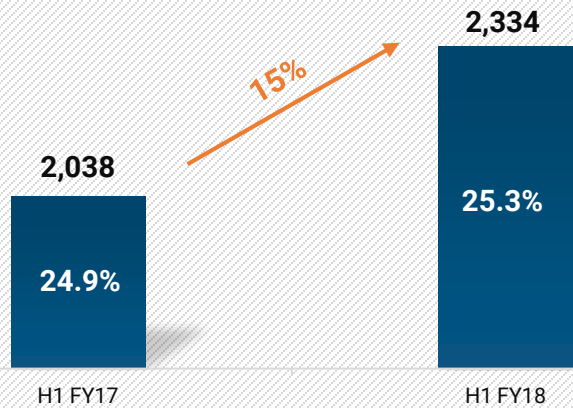
## Income from Operations (₹ cr.)



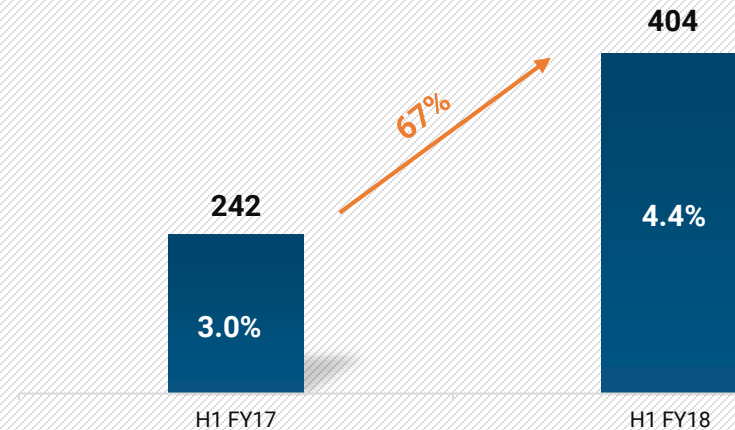
## Same Store Sales Growth (%)



## Gross Margin (₹ cr.)



## EBIT Margin (₹ cr.)



\*Y-o-Y growth is 22% excluding eZone rationalization and GST impact

	Quarter ended		
Particulars (₹ cr.)	30-Sep-17	30-Jun-17	30-Sep-16
<b>Total Income from Operations</b>	<b>4,506</b>	<b>4,705</b>	<b>4,191</b>
<b>Gross Profit</b>	<b>1,157</b>	<b>1,177</b>	<b>1,037</b>
<b>Gross Margin %</b>	<b>25.7%</b>	<b>25.0%</b>	<b>24.7%</b>
Employee benefits expense	231	222	202
Rent including lease rentals	337	368	333
Other Expenditures	378	377	375
<b>Total expenditure</b>	<b>946</b>	<b>967</b>	<b>909</b>
Other Income	3	3	6
<b>EBITDA</b>	<b>214</b>	<b>212</b>	<b>135</b>
Depreciation and Amortisation	11	11	8
<b>EBIT</b>	<b>203</b>	<b>201</b>	<b>126</b>
<b>EBIT Margin %</b>	<b>4.5%</b>	<b>4.3%</b>	<b>3.0%</b>
Finance Costs	50	53	53
PBT	153	148	74
Tax Expenses	-	-	-
<b>PAT</b>	<b>153</b>	<b>148</b>	<b>74</b>
<b>PAT %</b>	<b>3.4%</b>	<b>3.1%</b>	<b>1.8%</b>

Growth	
Y-o-Y	Q-o-Q
<b>8%*</b>	<b>-4%</b>
<b>12%</b>	<b>-2%</b>
15%	4%
1%	-8%
1%	0%
-56%	14%
<b>59%</b>	<b>1%</b>
36%	4%
<b>60%</b>	<b>1%</b>
-6%	-7%
108%	4%
-	-
<b>108%</b>	<b>4%</b>

\*Y-o-Y growth is ~20% excluding eZone rationalization and GST impact



PARTICULARS (₹ cr.)	As at 30 Sep 2017	As at 31 Mar 2017	As at 30 Sep 2016
<b>A) ASSETS</b>			
Non-Current Assets	923	916	558
Inventories	3,976	3,735	3,618
Trade Receivables	242	228	281
Other Current Assets	1,967	1,902	1,908
<b>TOTAL ASSETS</b>	<b>7,107</b>	<b>6,781</b>	<b>6,365</b>
<b>B) EQUITY AND LIABILITIES</b>			
Equity	2,858	2,554	2,024
Non-Current Liabilities	162	190	173
Net Debt	959	922	1,577
Trade Payables	2,796	2,780	2,285
Other Current Liabilities	332	336	307
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,107</b>	<b>6,781</b>	<b>6,365</b>

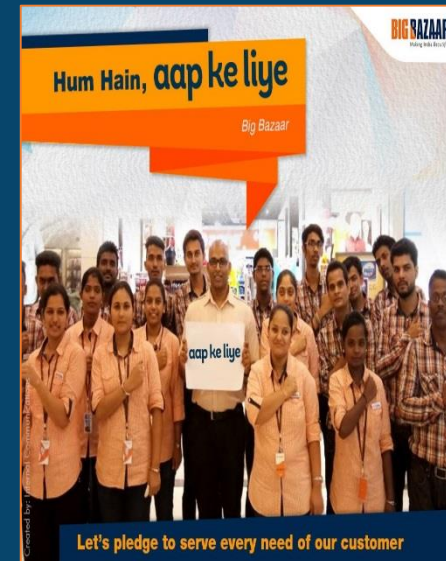
## **Marketing and Milestones**



## New Categories, New Campaigns, New Targets



Launched new category of kids' merchandise and effective campaigns on other categories



## **Acquisition of Hypercity Retail (India) Limited**

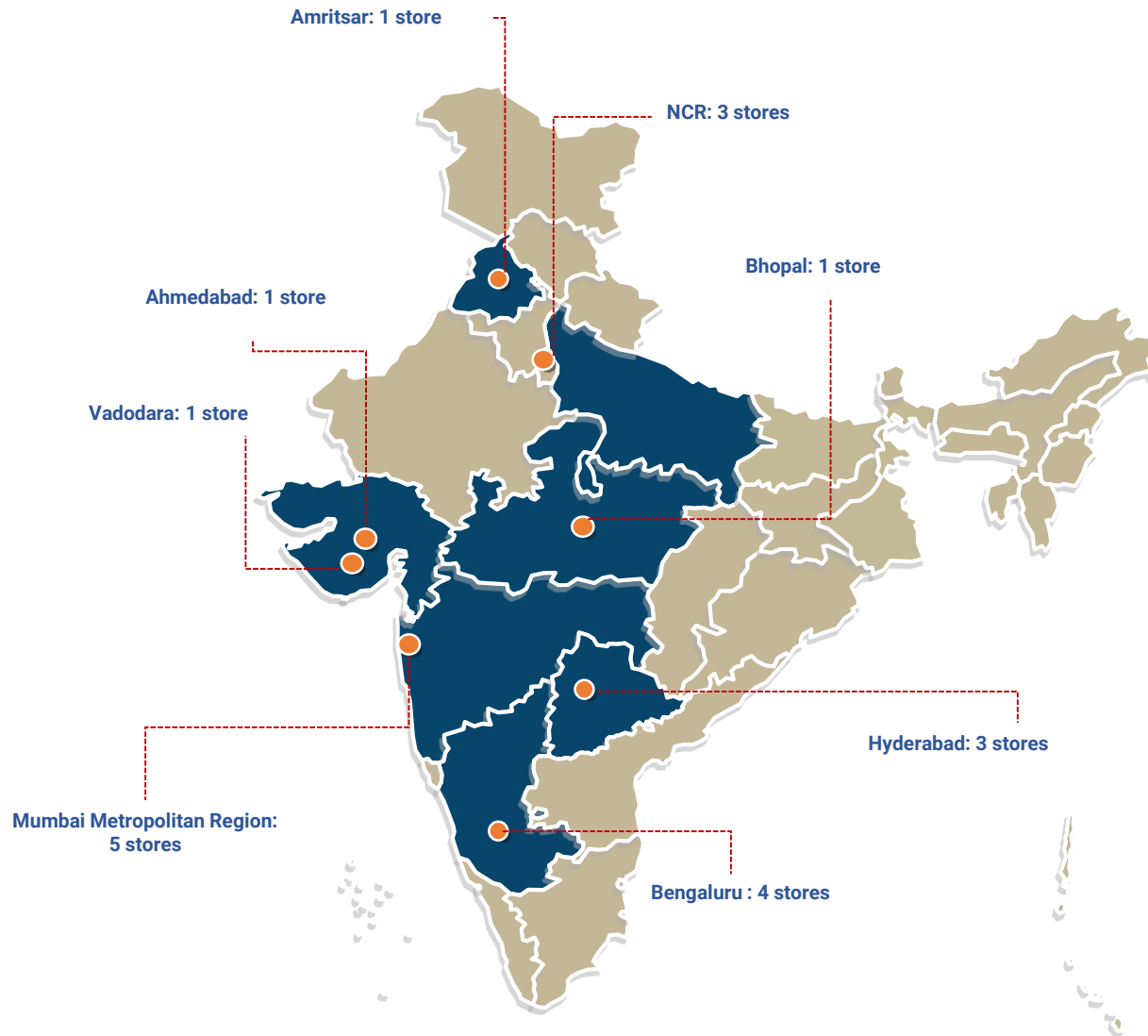


- FRL announced the acquisition of Hypercity Retail (India) Limited on 5<sup>th</sup> October '17
- Hypercity has concentrated presence in large urban markets at key locations
- Value accretive from Year-1
- Addition of ~20mn (annualized) Customer footfalls
- 1.24mn sqft across 19 operational stores with significant potential of Sales and Margin upside with better product & brand mix and cost synergies with consolidated backend
  - Additional 2 stores to be operational in the current fiscal as part of the deal

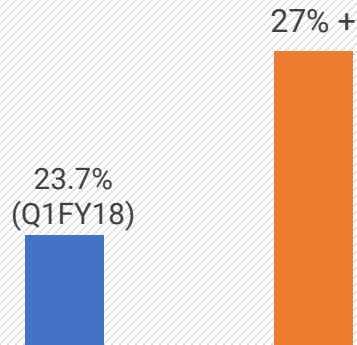




## Spread of Hypercity Stores

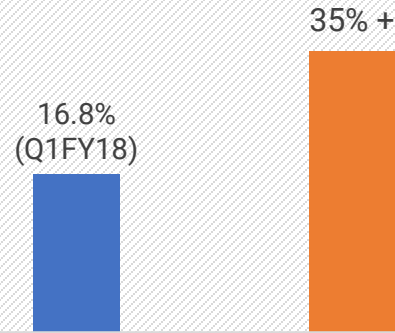


## Margin Model



Big Bazaar: Inherently consistent 27%+ Gross Margin model

## Fashion Mix



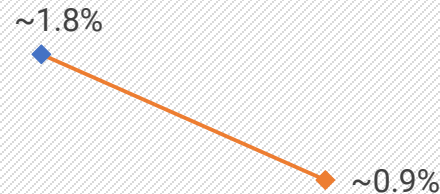
Potential to grow business by ~200% with mix of 35%+ within 1 year through >95% private brands

## Backend costs (% of Sales)



Robust back-end in place with zonal & central teams at Big Bazaar

## Sales & Distribution Expense (% of Sales)



Big Bazaar brand recall and existing spends would suffice

## Additional Synergies in tandem -

- Interplay with Future Group's technology & loyalty platform
- Scale advantages including HO costs
- Besides Fashion, a much stronger Own & Strategic brands portfolio across Food & GM to drive margins as well
- GST-led synergies



## Valuation & Consideration

- Enterprise Value: ₹ 911cr for 100% shareholding of Hypercity Retail (India) Limited
  - Preferential issue of 93.1 lakh Equity Shares at a price of ₹ 537 per share, amounting to ~₹ 500cr
  - Cash consideration of ~₹ 155cr
  - Debt: ~₹ 256cr

## Key Transaction Considerations

- ✓ Under the SEBI ICDR (Preferential Allotment) Guidelines, the Equity Shares allotted would be locked-in for 1-Year from the date of allotment
- ✓ Debt in Hypercity Retail (India) Limited is ~ ₹ 256cr
- ✓ Hypercity trademark and all private brands are included in the acquisition

## Other Process Updates

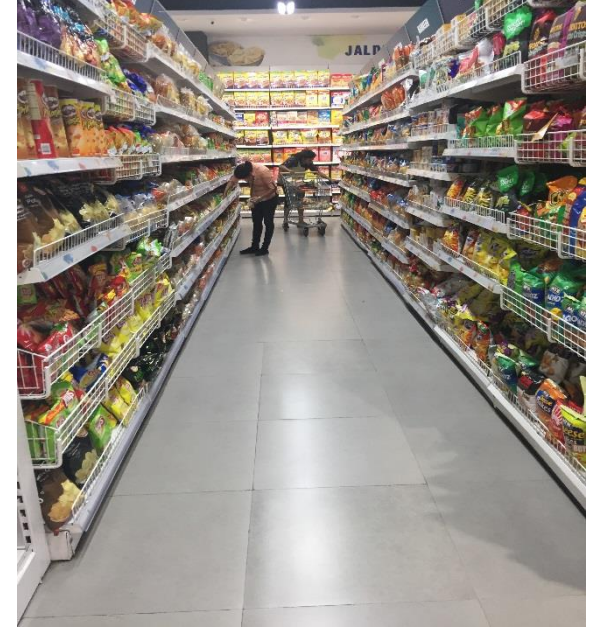
- ✓ Share Purchase Agreement was signed between parties on 8<sup>th</sup> October 2017;
- ✓ Application to Competition Commission of India (CCI) is already submitted;
- ✓ Shareholders has approved the issue and allotment of Equity Shares on preferential basis to Hypercity Shareholders at their Extraordinary General Meeting (EGM) held on 3<sup>rd</sup> November 2017;
- ✓ The Company has filed application with Stock Exchanges for in-principle approval for listing of Equity Shares to be issued on preferential basis for consideration other than cash.
- ✓ The business unit shall be 100% subsidiary of Future Retail Limited

- **Update on Home Town demerger**

- Petition is scheduled to be heard by NCLT on 10<sup>th</sup> November '17 for final hearing.

- **OCD Conversion of Cedar Support Services Ltd.**

- Board has approved the conversion of OCD's of ₹ 154.2 cr in its meeting held on 31<sup>st</sup> October '17
- The Company accordingly allotted 28,52,386 number of equity shares in exchange of the OCDs







## NAMASTE

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates', or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.