

# Logista Q1 2020 Results

January 29, 2020



# Logista reports Q1 2020 Results

Logista announces today its Q1 Results for 2020. Main highlights:

- The growth recorded by Revenues and Economic Sales<sup>1</sup> that increased by 7.5% and 4.1%, respectively
- The good performance of the activity that contributed to a 7.3% increase of Profit from Operations and a 3.1% increase of Adjusted Operating Profit<sup>1</sup>
- The 3.3% increase of Net Income, despite recording a higher corporate income tax rate than in the same period last year

## Key Metrics Summary

Data in million euros	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018	% Change
Revenues	2,581.5	2,400.8	+7.5%
Economic Sales <sup>1</sup>	292.4	280.9	+4.1%
Adjusted Operating Profit <sup>1</sup>	61.4	59.6	+3.1%
Margin over Economic Sales <sup>1</sup>	21.0%	21.2%	-20 b.p.
Profit from Operations	47.5	44.2	+7.3%
Net Income	37.2	36.0	+3.3%

The Group closed a very positive first quarter in which, once more, has been able to grow all key lines of the profit and loss statement.

In these three first months of the fiscal year, the Group has recorded a positive activity evolution in all geographies. Per activities, distribution of convenience products in all geographies (except in other channels different to tobacconists'), Transport and Tobacco distribution in Iberia and Italy recorded the most positive performance.

Group **Revenues** grew by 7.5% over the same period last year. Starting from the second quarter of fiscal year 2019, the accounting criteria of tobacco sales in Portugal was aligned to the practice of the rest of the Group. This change exclusively affects to the Revenues figure, in €56.9 million. The increase registered in the Group's Revenues, excluding this effect, has been of 5.2%.

**Economic Sales<sup>1</sup>** grew by 4.1%, reaching €292.4 million, thanks to the improvements recorded by the activity in Iberia and Italy, which more than offset the reduction experienced in France.

Total operating costs<sup>1</sup> grew by 4.4%, practically in line with the increase of Economic Sales<sup>1</sup>, in a quarter during which the traceability services were fully operational although have not yet been covered in all cases by the tariffs. Additionally, the France segment has suffered inflationary pressures in some of its costs and the Transport activity has continued growing strongly which causes a certain dilution effect in the margins at Group level.

**Adjusted EBIT<sup>1</sup>** reached €61.4 million growing by +3.1% compared to the first quarter of previous year. This figure includes the impact of the first time application of IFRS 16 that being positive has been practically null (€36,000).

The restructuring costs<sup>1</sup> during the period significantly reduced, from €5.2 million to €1.7 million. Additionally, during the first three months of current fiscal year, there were not capital gains from the

<sup>1</sup> See appendix "Alternative Performance Measures"

sale of assets whereas in the previous year, €2.5 million were obtained from the sale of a building in Portugal. **Profit from Operations** increased by 7.3% vs. the same period last year, reaching €47.5 million.

The Adjusted EBIT margin over Economic Sales<sup>1</sup> was 21.0% and stood at a similar level to the same period of the preceding when reached 21.2%.

**Financial Results** almost did not experience variations standing at €3.2 million in both fiscal years.

The Tax rate in the period raised to 26.3% from 23.7% recorded during first quarter last year.

Because of all the above mentioned, the **Net Income** increased by 3.3% to €37.2 million.

## Revenues Evolution (By Segment and Activity)

<i>Data in million euros</i>	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018	% Change
<b>Iberia</b>	<b>814.6</b>	<b>708.7</b>	<b>15.0%</b>
Tobacco & Related	700.7	600.5	16.7%
Transport Services	101.5	97.2	4.5%
Other Businesses	40.8	36.7	11.2%
Adjustments	(28.4)	(25.7)	(10.7)%
<b>France</b>	<b>995.8</b>	<b>977.9</b>	<b>1.8%</b>
Tobacco & Related	955.7	936.6	2.0%
Other Businesses	42.3	43.4	(2.6)%
Adjustments	(2.2)	(2.1)	(5.5)%
<b>Italy</b>	<b>781.0</b>	<b>724.0</b>	<b>7.9%</b>
Tobacco & Related	781.0	724.0	7.9%
<b>Corporate &amp; Others</b>	<b>(9.9)</b>	<b>(9.8)</b>	<b>(1.3)%</b>
<b>Total Revenues</b>	<b>2,581.5</b>	<b>2,400.8</b>	<b>7.5%</b>

## Economic Sales<sup>1</sup> Evolution (By Segment and Activity)

<i>Data in million euros</i>	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018	% Change
<b>Iberia</b>	<b>150.4</b>	<b>143.8</b>	<b>4.6%</b>
Tobacco & Related	72.1	66.2	8.8%
Transport Services	72.2	69.3	4.2%
Other Businesses	21.1	21.0	0.4%
Adjustments	(14.9)	(12.7)	(17.1)%
<b>France</b>	<b>66.1</b>	<b>67.2</b>	<b>(1.6)%</b>
Tobacco & Related	56.8	57.2	(0.7)%
Other Businesses	11.1	11.7	(5.1)%
Adjustments	(1.7)	(1.7)	(4.2)%
<b>Italy</b>	<b>75.1</b>	<b>69.2</b>	<b>8.6%</b>
Tobacco & Related	75.1	69.2	8.6%
<b>Corporate &amp; Others</b>	<b>0.7</b>	<b>0.7</b>	<b>(2.3)%</b>
<b>Total Economic Sales<sup>1</sup></b>	<b>292.4</b>	<b>280.9</b>	<b>4.1%</b>

<sup>1</sup> See appendix "Alternative Performance Measures"

## Adjusted EBIT<sup>1</sup> Evolution (By Segment)

Data in million euros	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018	% Change
Iberia	30.7	30.1	2.0%
France	12.0	13.7	(12.2)%
Italy	22.3	19.4	15.4%
Corporate & Others	(3.7)	(3.6)	(2.0)%
<b>Total Adjusted EBIT<sup>1</sup></b>	<b>61.4</b>	<b>59.6</b>	<b>3.1%</b>

Adjusted Operating Profit<sup>1</sup> (or indistinctly Adjusted EBIT<sup>1</sup>) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is 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<sup>1</sup> and typical margins of the Group. The following table shows the reconciliation between Profit from Operations and Adjusted Operating Profit<sup>1</sup> for Q1 fiscal years 2020 and 2019:

Data in million euros	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018
<b>Adjusted Operating Profit<sup>1</sup></b>	<b>61.4</b>	<b>59.6</b>
(-) Restructuring Costs <sup>1</sup>	(1.7)	(5.2)
(-) Amortization of Assets Logista France	(13.1)	(13.1)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	0.3	2.5
(+/-) Share of Results of Companies and Others	0.5	0.4
<b>Profit from Operations</b>	<b>47.5</b>	<b>44.2</b>

<sup>1</sup> See appendix "Alternative Performance Measures"

# I. Business Review

## A. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €814.6 million compared to €708.7 million in fiscal year 2019, recording a 15.0% growth (including the effect from a change in the accounting criteria of the Revenues of the tobacco distribution in Portugal for a total of €56.9 million). The Economic Sales<sup>1</sup> of the segment reached €150.4 million, a 4.6% ahead of the €143.8 million recorded in the first quarter of preceding fiscal year.

Revenues in **Tobacco and related products** increased by 16.7%, because of the growth of the activity both in Spain and in Portugal, as well as of the effect of the mentioned change in the accounting criteria of the Revenues of the tobacco distribution in Portugal. Excluding this effect, the Revenues of this business line increased by 7.2%.

The positive trend in volumes of cigarettes and RYO and others distributed in the Iberia segment, started in fiscal year 2019 continued in the first months of this fiscal year, increasing a 1.8% compared to fiscal year 2019 and growing in Spain as well as in Portugal, in the case of the later because of the increase in market share of the Group in that country.

In Spain, cigarette volumes distributed stood at the same level as in the first quarter of the preceding fiscal year (+0.0%), keeping the trend recorded that year compared to the fiscal year 2018 (+0.2%). Distributed volumes of RYO (that includes the heated tobacco consumables) showed a more favourable trend than the previous fiscal year, increasing by 12.3% compared to 7.7% in the yearly comparison of the preceding year.

Generally, tobacco manufacturers maintained the retail selling price of their products stable during the period both in current and last fiscal years.

The activity of distribution of convenience products performed very positively after the incorporation of new agreements reached in the preceding year (for example with CEPSA) and the increase in clients-points of sale. The Economic Sales<sup>1</sup> grew double digit compared to fiscal year 2019. Therefore, Economic Sales<sup>1</sup> in Tobacco and related products grew by 8.8% comparing to previous fiscal year.

Revenues in **Transport** confirmed the solid performance that are showing in the last few years, growing by 4.5%. However, the Economic Sales<sup>1</sup> performance has differed among the activities, slightly declining in Long distance while growing in Industrial parcel and Courier, being the later the highest growth rate contributor. As a whole, Economic Sales<sup>1</sup> in Transport went up by 4.2% to €72.2 million.

Revenues in **Other Businesses** (which includes Pharma and publications activities) increased by 11.2% reaching €40.8 million and Economic Sales<sup>1</sup> went up by 0.4% to €21.1 million.

The Revenues of the Pharma business grew double digit in the year, joining growth of pre-existing activity and incorporation of new agreements during the period. However, towards the end of previous fiscal year, certain services to a client billed on a tariff (same amount as Economic Sales<sup>1</sup> as in Revenues) were discontinued what has affected negatively the year-on-year comparison at the Economic Sales<sup>1</sup> level. The costs associated to these services were largely direct and its margin limited so the impact of discontinuation was not negative for the results of the business.

On the other hand, the distribution of publications in Spain has shown a little more positive trend than the one recorded at the end last fiscal year, achieving growth in Revenues and Economic Sales<sup>1</sup> despite the difficult situation the sector is experiencing.

<sup>1</sup> See appendix "Alternative Performance Measures"

Total operating expenses<sup>1</sup> in the Iberia segment increased by 5.3% in the period, ahead of the increase reported in Economic Sales<sup>1</sup>.

**Adjusted Operating Profit**<sup>1</sup> reached €30.7 million, an increase of 2.0% with respect to last year. The impact of the different timing between the delivery of the traceability service in the tobacco distribution and the application of the new tariffs, as well as the higher growth recorded in the transport activity and its dilution effect over the Iberia segment margin contributed to a lower translation of Economic Sales<sup>1</sup> increases into Adjusted Operating Profit<sup>1</sup> in the period.

The higher restructuring costs<sup>1</sup> than in the first three months of fiscal year 2019 (€0.9 million vs. €0.2 million), as well as the lower capital gains from the sale of assets (€0.5 million vs. €2.5 million) translated into a 6.5% drop of **Profit from Operations** to reach €30.8 million compared to €32.9 million recorded in the first quarter of last fiscal year.

## B. France

Revenues from the France segment grew by 1.8% to €995.8 million while Economic Sales<sup>1</sup> reduced by 1.6%, to reach €66.1 million.

**Tobacco and related products** Revenues grew by 2.0% to €955.7 million due to the increase in tobacco prices and despite the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-10.5%) and in RYO, that includes as well heat-not-burn consumables (-4.8%).

Considering the significant price increases undertaken in the last two years by manufacturers, as a consequence of the schedule set by the French Government to raise excise taxes until 2020, the drop recorded by the tobacco volumes continues being very limited.

Since the announcement of the tax schedule till the closing of this first quarter, the retail selling price of the most popular brand has increased from €7.0 per pack to €9.3 per pack (which represents a 32.9% rise) while cigarette volumes have reduced by 16.2% compared to those distributed in the first quarter of fiscal year 2018. The current price (RSP of the top selling brand, €9.3 per pack), applicable since 1 November 2019, includes the general increase taken by all manufacturers to pass through to RSP the antepenultimate rise foreseen in the tax schedule announced by the Government, amounting €0.5 per pack. The net effect in the results of the quarter of this price and tax movement was not significant as neither was it in the same period of fiscal year 2019.

The performance of the Economic Sales<sup>1</sup> of convenience products and electronic transactions was positive in both cases contributing to mitigate the drop in Economic Sales<sup>1</sup> of tobacco distribution. This way, the Economic Sales<sup>1</sup> of the Tobacco and related products slightly decreased by 0.7% to €56.8 million.

The **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a decrease of 2.6% in Revenues and of 5.1% in Economic Sales<sup>1</sup> compared to the same period of previous fiscal year.

The total operating costs<sup>1</sup> of the France segment increased by 1.1%. The transport costs in the quarter experienced a slight upward pressure together with an upturn in the insurance premiums, due to the rise in thefts suffered by the business.

**Adjusted Operating Profit**<sup>1</sup> reduced to €12.0 million, a 12.2% lower than in the first quarter of the preceding year.

The lower restructuring expenses<sup>1</sup> in the period (€0.2 million vs. €3.9 million) drove **Profit from Operations** to -€1.2 million, improving the -€3.2 million recorded in previous fiscal year. The main

<sup>1</sup> See appendix "Alternative Performance Measures"

adjustment in this segment is the Amortization of Assets generated from the acquisition of Logista France that was €13.1 million in both fiscal years.

## C. Italy

The Revenues in the Italy segment increased by 7.9% to €781.0 million because of the increase in the sale of convenience products, as well as of higher prices of tobacco products than in the first quarter of fiscal year 2019.

The volumes of cigarettes distributed reduced in the first quarter of the fiscal year a 3.6%, above the yearly comparison in fiscal year 2019 (-0.8%) while the RYO category, (that includes as well heat-not-burn consumable) continued growing in a significant manner and increased by 30.2% vs. 35.0% recorded in the first three months of the preceding fiscal year.

During the current quarter, there were not changes in the excise taxes and the retail selling prices of the tobacco products stood practically stable, except some not significant variations without any impact in the results of the period. The taxation movements and the absence of changes of retail selling prices during the first three months of previous fiscal year resulted in an insignificant negative net global impact in that period.

Although this fact had not influence in the quarter, it is worth noting that towards the end of the period, the Italian Government approved a new regulation imposing excise taxes on smoking papers and filters, as well as the obligation of sale of these products, which commercialization was liberalized till the beginning of 2020, through the tobacconist channel.

The revenues from services rendered to manufacturers as well as from the distribution of convenience products were above the first three months of last year, allowing an 8.6% growth of Economic Sales<sup>1</sup> in the Italy segment in current fiscal year.

Total operating costs<sup>1</sup> of the segment raised by 5.9% with respect to last fiscal year, behind the increased of Economic Sales<sup>1</sup>, allowing a 15.4% growth on **Adjusted Operating Profit**<sup>1</sup> to €22.3 million.

The restructuring costs<sup>1</sup> linked to the gradual efficiency improvement in operations were smaller than in the last fiscal year (€0.2 million vs. €1.0 million in 2019), so **Operating Profit** reached €22.1 million, a 21.1% above the first quarter of the preceding fiscal year.

## D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

**Adjusted Operating Profit**<sup>1</sup> was -€3.7 million compared to -€3.6 million recorded in the first three months of the fiscal year 2019.

<sup>1</sup> See appendix "Alternative Performance Measures"



## II. Financial Overview

### A. Financial Result Evolution

The Group has a reciprocal credit facility agreement, with its majority shareholder (Imperial Brands Plc.) by which daily lends its cash excess, or receives the necessary cash to meet their payment obligations. The remuneration of the balances is set at the base rate of the European Central Bank, plus a 0.75% margin. The base rate of the European Central Bank stood at 0.0% during both fiscal years.

The average cash position during the fiscal year was €1,955 million compared to €1,838 million in the first quarter of the preceding fiscal year.

Financial results in the fiscal year stood at a similar level to the preceding fiscal year in €3.2 million vs. (+0.8%)

### B. Net Income Evolution

The reduction of restructuring costs<sup>1</sup> recorded in the quarter compared to the same period last year (€1.7 million vs. €5.2 million) mitigated the impact of the reduction of capital gains from the sale of assets that amounted €0.3 million in current fiscal year and reached €2.5 million in the same period of fiscal year 2019. Because of that, Profit Before Taxes increased a 6.9% to €50.7 million.

On the other hand, the corporate tax rate registered in the period reached 26.3% compared to 23.7% in the preceding year driving Net Profit to €37.2 million (+3.3%).

Earnings per Share were €0.28 vs. €0.27 in the first quarter of fiscal year 2019, with no variations in the number of shares of the share capital.

At 31 December 2019, the Company owned 493,867 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 Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA<sup>1</sup>) in the first quarter of current fiscal year, increased by 16.2% compared to the same period in the last year due to the positive performance of the activity and the positive effect (€8.3 million) of the first time application of IFRS 16. Excluding this impact, growth of the EBITDA<sup>1</sup> was 4.3%.

The increase of the operating and financial results in the period financed the higher investments and normalized taxes in the first months of the fiscal year and translated into a cash generation similar to the same period of last fiscal year.

The variation of working capital followed its customary negative trend due to seasonality in the year, which together with the effect of the cut-off date of final payment/collection of corporate income taxes, resulted in a negative generation of free cash flow at 31 December 2019.

## D. Dividend Policy

The Board of Directors intends to propose to the General Shareholders Meeting the distribution of a final dividend corresponding to fiscal year 2019 of €107.5 million (€0.81 per share) that will be paid at the end of the second quarter of fiscal year 2020. Therefore, the total dividend corresponding to fiscal year 2019 will amount around €156.4 million (€1.18 per share), a 5.4% increase over the total dividend distributed in fiscal year 2018.

## E. Outlook

Current trading environment and the performance of our businesses in the first months of current fiscal year confirmed the expectations that Adjusted EBIT<sup>1</sup> in 2020 could record a mid-single digit growth with respect to fiscal year 2019.

After the restructuring of the network, taking place in France in fiscal year 2019, the Group do not have the intention to implement new measures of that relevance, so it can be expected that restructuring costs<sup>1</sup> will be below those recorded in fiscal year 2019. However, a slight rise in the effective Corporate Income Tax of the Group is expected, as the deductions applicable for the Group were completed in the last fiscal years.

Because of all the above, it can be expected that Net Profit records mid-single digit growth over fiscal year 2019.

**For more information:**

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<sup>1</sup> See appendix "Alternative Performance Measures"

# Appendix

## P&L

<i>Data in million euros</i>	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018	% Change
<b>Revenues</b>	<b>2,581.5</b>	<b>2,400.8</b>	<b>7.5%</b>
<b>Economic Sales<sup>1</sup></b>	<b>292.4</b>	<b>280.9</b>	<b>4.1%</b>
(-) Distribution Operating Costs <sup>1</sup>	(192.3)	(183.0)	(5.1)%
(-) Sales and Marketing Operating Expenses <sup>1</sup>	(17.6)	(18.2)	3.7%
(-) Research and G&A Operating Expenses <sup>1</sup>	(21.1)	(20.1)	(5.0)%
<b>Total Operating Costs<sup>1</sup></b>	<b>(231.0)</b>	<b>(221.3)</b>	<b>(4.4)%</b>
<b>Adjusted EBIT<sup>1</sup></b>	<b>61.4</b>	<b>59.6</b>	<b>3.1%</b>
<i>Margin<sup>1</sup> %</i>	21.0%	21.2%	-20 b.p.
(-) Restructuring Cost <sup>1</sup>	(1.7)	(5.2)	66.2%
(-) Amort. of Assets Logista France	(13.1)	(13.1)	0.0%
(-) Net Loss on Disposal and Impairments	0.3	2.5	(86.6)%
(-) Share of Results of Companies and Others	0.5	0.4	46.9%
<b>Profit from Operations</b>	<b>47.5</b>	<b>44.2</b>	<b>7.3%</b>
(+) Financial Income	4.0	3.7	9.0%
(-) Financial Expenses	(0.8)	(0.5)	(61.1)%
<b>Profit before taxes</b>	<b>50.7</b>	<b>47.4</b>	<b>6.9%</b>
(-) Corporate Income Tax	(13.3)	(11.3)	(18.6)%
<i>Effective Income Tax Rate</i>	26.3%	23.7%	(260) b.p.
(+/-) Other Income / (Expenses)	0.0	0.0	n.r.
(-) Minority Interest	(0.1)	(0.1)	n.r.
<b>Net Income</b>	<b>37.2</b>	<b>36.0</b>	<b>3.3%</b>

<sup>1</sup> See appendix "Alternative Performance Measures"

## Cash Flow Statement

<i>Data in million euros</i>	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018	Change
<b>EBITDA</b>	<b>81.5</b>	<b>70.2</b>	<b>11.4</b>
Restructuring & Other Payments	(2.6)	(2.7)	0.1
Rental Payments	(8.3)	0.0	(8.3)
Financial Results	3.7	3.3	0.4
Normalized Taxes	(16.1)	(14.0)	(2.1)
Capex	(8.3)	(6.0)	(2.3)
<b>Normalized Cash Flow</b>	<b>50.0</b>	<b>50.8</b>	<b>(0.8)</b>
WC Variation	(662.2)	(514.7)	(147.4)
Cut off effect on Taxes	(39.2)	46.8	(86.0)
<b>Free Cash Flow</b>	<b>(651.4)</b>	<b>(417.2)</b>	<b>(234.2)</b>

## Balance Sheet

<i>Data in million euros</i>	31 December 2019	30 September 2019
PP&E and other Fixed Assets	388.9	228.9
Net Long Term Financial Assets	18.6	18.1
Net Goodwill	920.8	920.8
Other Intangible Assets	444.8	457.1
Deferred Tax Assets	18.6	19.0
Net Inventory	1,308.7	1,282.8
Net Receivables and Others	2,052.0	1,945.8
Cash & Cash Equivalents	1,561.9	2,211.1
<b>Total Assets</b>	<b>6,714.3</b>	<b>7,083.6</b>
Group Equity	554.4	518.6
Minority interests	1.8	1.7
Non-Current Liabilities	179.2	44.0
Deferred Tax Liabilities	262.0	264.9
Short Term Financial Debt	70.0	37.6
Short Term Provisions	11.9	11.7
Trade and Other Payables	5,635.0	6,205.1
<b>Total Liabilities</b>	<b>6,714.3</b>	<b>7,083.6</b>

## Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2019 - 31 Dec. 2019	1 Oct. 2018 - 31 Dec. 2018	1 Oct. 2017 - 31 Dec. 2017	1 Oct. 2019 - 31 Dec. 2019	1 Oct. 2018 - 31 Dec. 2018
<b>TOTAL</b>					
Cigarettes	35,924	37,525	38,249	(4.3)%	(1.9)%
RYO/MYO/Others	6,212	5,547	5,081	12.0%	9.2%
Cigars	1,001	1,016	1,009	(1.5)%	0.8%
<b>SPAIN</b>					
Cigarettes	10,709	10,710	10,684	0.0%	0.2%
RYO/MYO/Others	1,848	1,645	1,528	12.3%	7.7%
Cigars	460	480	492	(4.2)%	(2.4)%
<b>PORTUGAL</b>					
Cigarettes	627	603	549	4.1%	9.8%
RYO/MYO/Others	26	26	26	2.7%	(0.1)%
Cigars					
<b>FRANCE</b>					
Cigarettes	8,808	9,839	10,515	(10.5)%	(6.4)%
RYO/MYO/Others	1,928	2,025	2,157	(4.8)%	(6.1)%
Cigars	304	310	313	(2.0)%	(0.8)%
<b>ITALY</b>					
Cigarettes	15,780	16,374	16,500	(3.6)%	(0.8)%
RYO/MYO/Others	2,409	1,851	1,371	30.2%	35.0%
Cigars	237	226	204	4.9%	10.9%

## Alternative Performance Measures

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

Management believes that gross profit is a meaningful measure of the fee revenue we generate from performing our distribution services and provides a useful comparative measure to investors to assess our financial performance on an on-going basis.

	Million €	
	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018
Revenue	2,581.5	2,400.8
Procurements	(2,289.1)	(2,119.9)
<b>Gross Profit</b>	<b>292.4</b>	<b>280.9</b>

- **Adjusted Operating Profit (Adjusted EBIT):** This item is calculated, fundamentally, discounting from the Operating Profit those costs that are not directly related to the revenue obtained by the Group in each period, facilitating the performance of Group's the operating costs and margins.

The Adjusted Operating Profit (Adjusted EBIT) is the main indicator used by the Group's Management to analyse and measure the progress of the business.

	Million €	
	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018
<b>Adjusted Operating Profit</b>	<b>61.4</b>	<b>59.6</b>
(-) Restructuring Costs	(1.7)	(5.2)
(-) Amortization of Assets Logista France	(13.1)	(13.1)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	0.3	2.5
(+/-) Share of Results of Companies and Others	0.5	0.4
<b>Profit from Operations</b>	<b>47.5</b>	<b>44.2</b>

- **Adjusted Operating Profit margin over Economic Sales:** calculated as Adjusted Operating Profit divided by Economic Sales (or indistinctly, Gross Profit).

This ratio is the main indicator used by the Group's Managements to analysis and measure the performance of the profitability obtained by the Group's typical activity in a period.

	Million €		
	1 Oct. 2019 – 31 Dec. 2019	1 Oct. 2018 – 31 Dec. 2018	%
Economic Sales	292.4	280.9	4.1%
Adjusted Operating Profit	61.4	59.6	3.1%
<b>Margin over Economic Sales</b>	<b>21.0%</b>	<b>21.2%</b>	<b>-20 b.p.</b>

- **Operating costs:** this term is composed by the costs of logistics networks, commercial expenses, research expenses and head offices expenses that are directly related to the revenue obtained by the Group in each period. It is the main figure used by the Group's Management to analyse and measure the performance of the costs structure. It does not include restructuring costs and amortization of assets derived from the Logista France acquisition, due to are not directly related to the revenues obtained by the Group in each period.

- **Non-recurring expenses:** refers those expenses that, although they might occur in more than one period, do not have a continuity in time (as opposed to operating expenses) and affect only the accounts in a specific moment.

This magnitude helps the Group's Management to analyse and measure the performance of the Group's activity in each period.

- **Recurring operating expenses:** this term refers to those expenses occurred continuously and allow sustain the Group's activity. They are estimated from the total operating costs less the non-recurring costs defined in the previous point.

This magnitude helps the Group's Management to analyse and measure the performance of efficiency in the activities carried out by the Group.

- **Restructuring costs:** are the costs incurred by the Group to increase the operating, administrative or commercial efficiency in our company, including the costs related to the reorganization, dismissals and closes or transfers of warehouses or other facilities.

- **Non-recurring results:** refers to the results of the year that do not have a continuity during the year and affect the accounts in a specific moment. It is included in the Operating Profit.

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