

FUTURE RETAIL



13th February, 2020

To,
Dept. of Corporate Services (CRD)
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Listing Department
National Stock Exchange of India Limited
Bandra Kurla Complex,
Bandra East,
Mumbai - 400 051

Scrip Code: 540064

Symbol: FRETAIL

Scrip Code of Debt: 958809 & 958810

Dear Sir / Madam,

Sub.: Presentation to Analysts / Investors

Please find enclosed herewith the presentation being forwarded to Analysts / Investors on the Un-audited Financial Results of the Company for the Quarter and Nine Months ended 31st December, 2019.

The above presentation is also available on Company's website www.futureretail.co.in.

The above is for your information and record, please.

Thanking you,

Yours faithfully,
For **Future Retail Limited**

Virendra Samani
Company Secretary

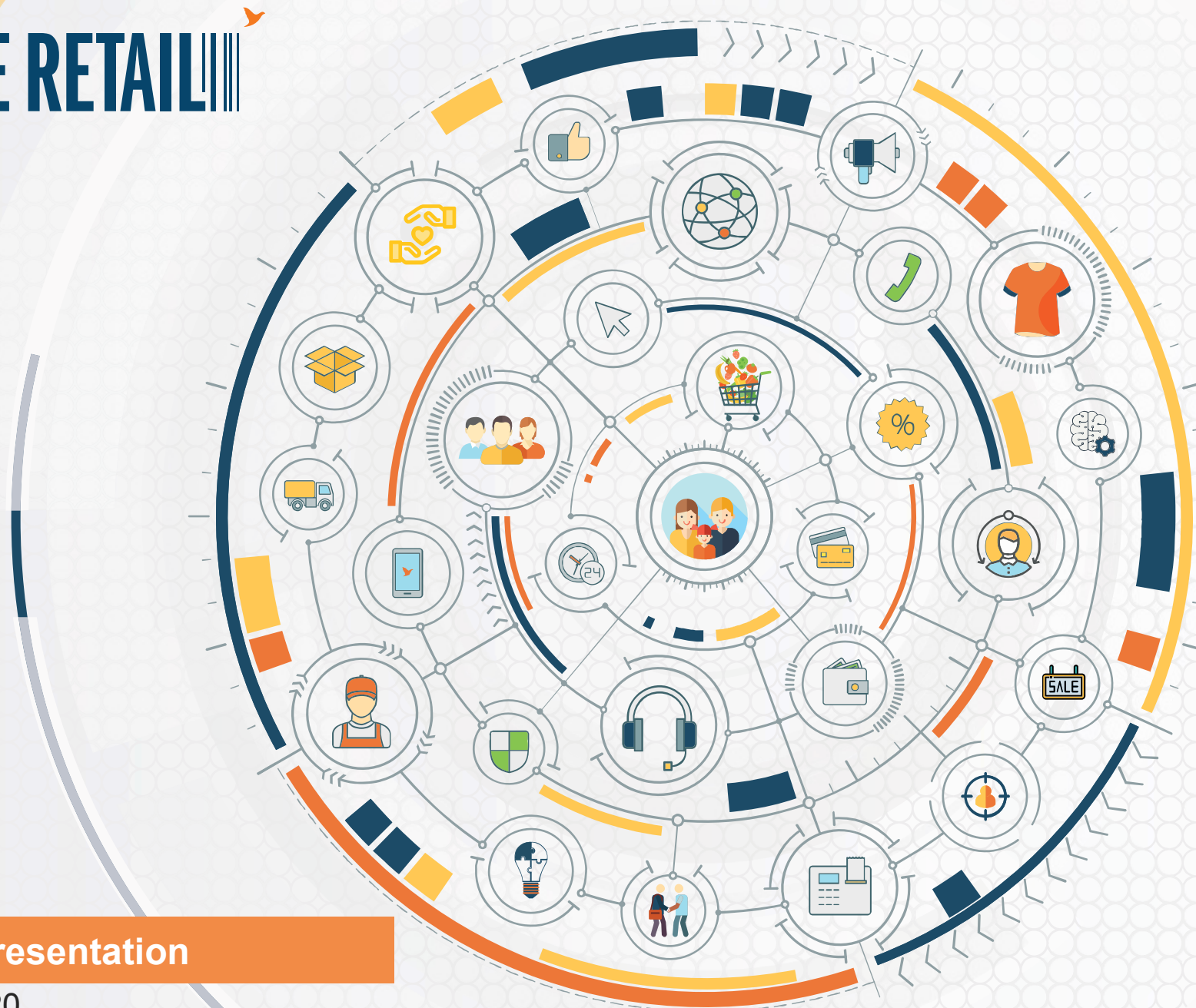


Encl. : as above.

CC:

Singapore Exchange Securities Trading Limited
2, Shenton Way, #02-02, SGX Centre 1.
Singapore - 068 804









FUTURE RETAIL



Q3 FY20 Presentation

February 2020

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Key Transformational Pillars: Update



Key Transformational Pillars

1 Efficiencies & focused execution

Driving **efficiency savings of ~Rs 160 – 200 cr / yr** across corporate OH & store costs (marketing, rental, employee & utilities)

Drive **SSSG in large format** across network through leadership in key cities

Breakeven of Small format stores in 3-6 months (run- rate)

2 Strong cashflow generation

Deliver operating cashflow (post capex) to EBITDA conversion of ~50% – targeting monthly ~Rs 200cr EBITDA & Rs 100cr free cashflow by Feb/ Mar '20

Will deliver this through EBITDA expansion from efficiencies and margin uplift, tightly managing working capital, and minimal new store capex

3 Balance sheet deleveraging

Deleverage balance sheet through strong cashflow generation and superior ROCEs (>20% post tax ROCE in next 36 months)

Targeting Net Debt/EBITDA of ~1.5x in 24 months (by April 2021) and <0.2x in 3 years

4 Full unwind of RPTs with FEL

On track to buyback store assets from FEL by March '20 at arms length fair value

Post-buyback, **all RPTs with FEL to be unwound** across lease rentals (~Rs 650 cr/yr). **All corporate guarantees provided by FRL on behalf of FEL (~Rs 3,600cr) will be fully removed.**

5

Key Enablers: Rakesh Biyani (Joint Managing Director) has been fully empowered and entrusted to deliver the above.

Equity Infusion

1. Recap: On 04th Feb' 2019, FRL had announced issuance of 3,96,03,960 equity warrants to Future Coupons Limited
 - The equity warrants amounted to Rs. 2,000cr
2. 23rd April' 2019: Future Coupons Limited infused 25% of the overall consideration i.e. Rs. 500cr
3. 26th Dec' 2019: An equity infusion of Rs. 1,500cr (rounded off) by Future Coupons Limited was concluded
 - This equity has largely been utilized for payment of working capital loans
4. Pricing: The above warrants have been subscribed at Rs. 505 per share (premium of 42% over the current market price as of 12th February 2020).

FRL successfully completed the warrants' equity infusion significantly ahead of committed time-frame.

Status on asset purchase from FEL

1. FRL has concluded the purchase of fixed assets from FEL for Rs. 3,500cr, backed by proceeds from the recent USD bond issuance and shall conclude the balance asset-purchase by March' 20.
2. Resultant impact of asset purchase from FY21 onwards:
 - Reduction in FRL annual lease rentals by ~Rs. 650cr (cash accrual), resulting in an increase of EBITDA by an equivalent amount (in accordance with the IND-AS 116)
 - Corporate guarantees of Rs. 3,583cr (as at March 31st 2019) to be knocked off by March'20.

Successful completion of the committed RPT unwinding & ahead of schedule.

Successful \$500mn USD Bond Issuance

1. Future Retail raised Rs. 3,560cr through US\$ denominated notes in Jan' 2020

2. Key terms of the USD notes -

- 5-year maturity term
- Interest rate: 5.6% p.a. payable semi-annually
- All-in cost: 7.39% p.a. (inclusive of coupon and principal hedging cost)

3. The debut issuance and the first in Indian retail, is backed by marquee funds globally

- Issuance generated an oversubscription of >6x with an overall demand of US\$ 3bn
- Strong commitments from across US (42%), EMEA (21%) and Asia (37%)
- Long haul funds led the demand with 84% contribution, private banks generated 8%, insurance funds / pension funds 5% and other banks /institutions generated 3%.

Low-cost & long-term financing with immediate cash-flow & earnings accruals.

Optimisations, Efficiencies and Expansions

Costs Optimization / Savings	<ul style="list-style-type: none">▪ FRL has pruned its fixed costs across Corporate overheads, Operations, People costs and Marketing costs▪ The positive impact of these is expected to be seen over the next few quarters.
Small-format Stores	<ul style="list-style-type: none">▪ 177 small format stores have been closed: These were a mix of new low-density clusters or bottom of the tail stores▪ Over the past 2 months, management has taken several efficiency-led initiatives and the initial results of those are encouraging▪ FRL is on track for achieving the stated target of break-even by Sep' 2020.
Expansion Strategy	<ul style="list-style-type: none">▪ Expansion of the large format stores (Big Bazaar, FBB) continues as per the plan<ul style="list-style-type: none">▪ FRL opened 5 new stores in Q3 and targets to open about 20 new stores in the next couple of quarters.▪ In the near future, FRL shall be focused on opening new large format stores▪ FRL shall only consider opening new small stores in existing profitable clusters in a gradual manner before scaling up roll-out of further stores.

Operationally, FRL is on its path to become a leaner execution-led organization.



Recap	<ul style="list-style-type: none"> ▪ FRL and Amazon India signed two Business Co-operation Framework (BCF) agreements focusing on - <ul style="list-style-type: none"> ○ Grocery and general merchandise: Prime Now - Hyperlocal 2 hour Delivery (and more to come) ○ Softlines, Fashion and footwear: Amazon.in
Immediate Synergies and Potential	<ul style="list-style-type: none"> ▪ FRL has begun to leverage its distribution network, product knowledge and extensive product portfolio <ul style="list-style-type: none"> ○ Amazon India's marketplace will enable FRL to reach a wider customer base: ○ Build on robust offline and online capabilities of both organizations creating significant value for customers: FRL has brought on board ~58,000 SKUs live on Amazon. FRL has >100,000 SKUs. ○ Synergies through FRL's consumer-centric national network and Amazon India's footprint: 170 pin codes covered in 4 cities at initial stage. FRL has access to over 15,000 pin codes.
Recent updates	<ul style="list-style-type: none"> ▪ 20 Big Bazaar stores live on Prime Now in 170 pin codes. Majority stores to be covered in next 2 years. ▪ Amazon and FRL have been working on Model Stores (currently 4 stores) and the plan is to ramp-up & replicate this across majority of active Big Bazaar stores. Model stores are high performance stores for both the partners. ▪ Sabse Saste Din, Jan 26th big days, were live on Amazon and the first-time results are strong to drive more such events being present digitally as well. FRL does 3-4 such large events annually. ▪ Foodhall commenced on Amazon and in 2020, all stores are planned to be on Amazon. ▪ Synergies and business plans in motion on next engagements on Payments, Loyalty and more.
Initial outcome	<ul style="list-style-type: none"> ▪ Higher store productivity & improved margins ▪ Low-cost omni-channel business ▪ Incremental new customers



Recap

- In February 2019, FRL entered into an 80-years franchisee agreement with 7-Eleven Inc. (SEI) to bring 7- Eleven convenience chain format to India

Plans

- FRL plans to open the first 7-Eleven store by April' 20 in Mumbai.
 - First store is an outcome of long-drawn detailed plans
 - Global franchise of 7-Eleven has brought with it product developments with several global FMCG companies to co-create exclusive products and customer propositions
- There is a dedicated team, comprising of representatives from 7-Eleven Japan, who are at the helm of executing this.
 - The team has done extensive & deep consumer studies across several markets of Mumbai and Mumbai as a whole
 - The format stands for convenience, hygiene, affordability and taste: Globally succesful store developed for India
 - The stores shall open in neighbourhood areas, transit hubs and office hubs or campuses / hospitals

**Perfection in execution, before the Kick-start.
Fast-paced ramp-up shall follow only post a successful gradual roll-out.**

Key leadership changes to realize FRL's transformational journey

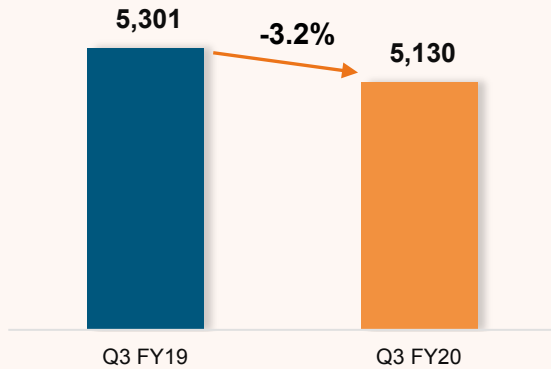
Key leadership changes proposed to strengthen institutional capacity and ensure seamless execution of the transformation journey. Focus areas (i) propagating process-driven culture, (ii) institutionalization of business to ensure business longevity and (iii) long term value creation for stakeholder. These changes are in line with requirements of Listing Regulations and governance standards in India.

		Background / Key Responsibilities in the new role
Kishore Biyani	New role Executive Chairman	<ul style="list-style-type: none"> Provide strategic oversight and guidance to the management Lead scenario planning & development of new strengths & capabilities in the Company Ensure constructive participation of Board in development of Company's strategies & policies
Rakesh Biyani	Managing Director	<ul style="list-style-type: none"> Lead the entire business, review key developments, issues, opportunities, concerns, lead sourcing and merchandising Be primary connect between the Chairman, the Board and the management of the company He has played pivotal role in sourcing strategy, supply chain, technology and retail operations of the group's businesses
Sanjay Jain	Chief Executive Officer	<ul style="list-style-type: none"> Lead the management teams of the all the present & future businesses of the Company – Big Bazaar, FBB, Food Hall, Small Stores, WH Smith and the upcoming 7-Eleven store network Implement process-driven culture and drive Key Initiatives across the Company <i>Background:</i> Mr. Jain has been Future Group CFO since 2014 and has played a key role in streamlining resource allocation between different businesses, setting up internal governance structures as well as in fund raising, investor relations and stakeholder engagements. Mr. Jain has spearheaded several partnerships at Future Group such as with Amazon, Nippon Express, Premji Invest, L-Catterton, Blackstone, IFC. His key assignment & delivery at Future Group has been value creation for all stakeholders successfully, compounding at >30% since 2014.
To be Appointed	Chief Financial Officer	<ul style="list-style-type: none"> In line with above changes, it is also proposed to identify a suitable potential candidate, for the role of CFO, who will be responsible for driving robust business planning, monitoring systems across the businesses, interface with all stakeholders including investors & further strengthen the governance. Till the time of identification of new incumbent for this role, Mr CP Toshniwal, who is handling this responsibility quite effectively, would continue in this role before moving to wider strategic role within the Group.

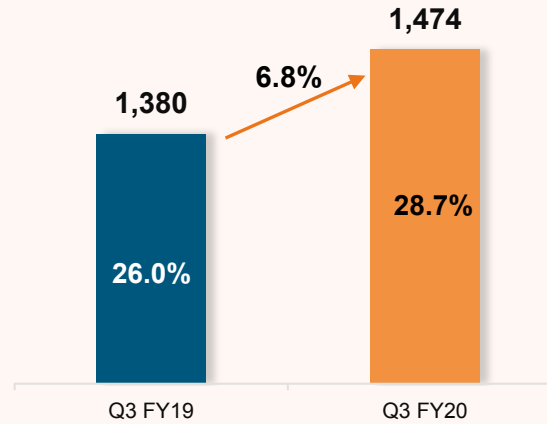
Like for Like Financial Performance



Income from Operations (₹ cr)



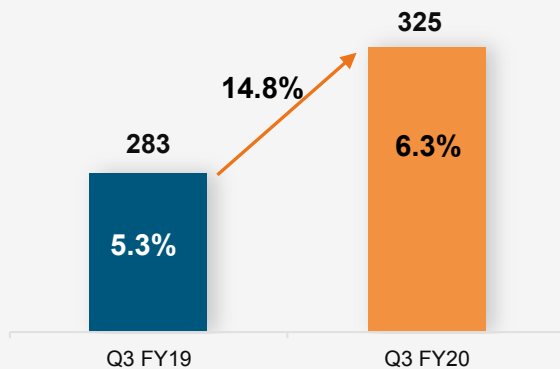
Gross Margin (% / ₹ cr)



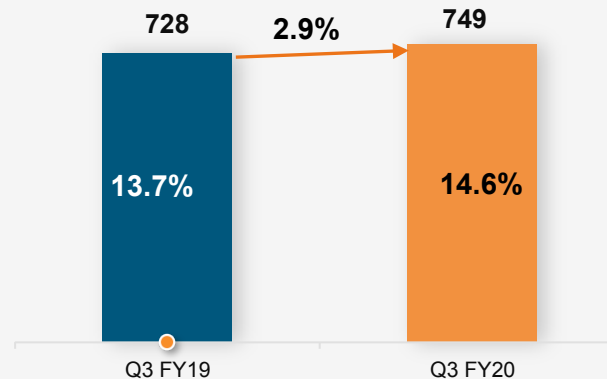
Commentary

1. In order to do a like for like comparison, the numbers depicted here are pre IND-AS adjustments
2. Overall revenue declined by 3.2% mainly due to the loss of business due to political disturbances in a few large centers, closure of stores and decline in de-prioritized businesses (refer page 15).

EBITDA (% / ₹ cr)



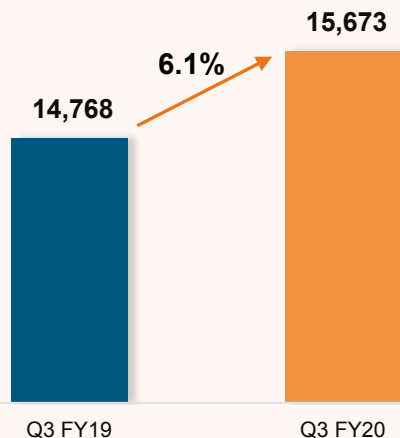
Operating Costs (% of Sales / ₹ cr)



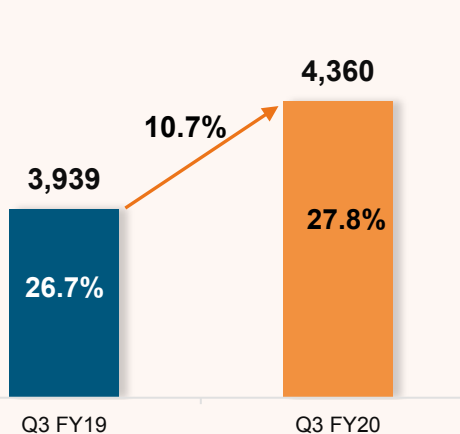
3. However, the quality of earnings on the new business was strong. Despite decline in business, GM grew by 7% and EBITDA grew by 15%.
4. Operating costs, including one-time expenditures, grew by ~3%. Adjusted for the one-time expenses, the costs had declined in the quarter on QoQ as well as YoY basis. The main impact of those shall accrue in the coming quarters.

Note: Operating costs include all costs above EBITDA except rentals.

Income from Operations (₹ cr)



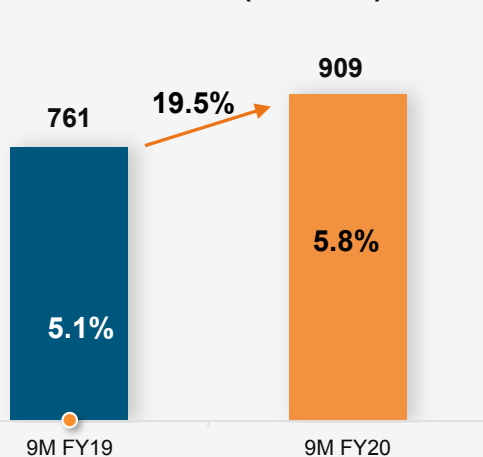
Gross Margin (% / ₹ cr)



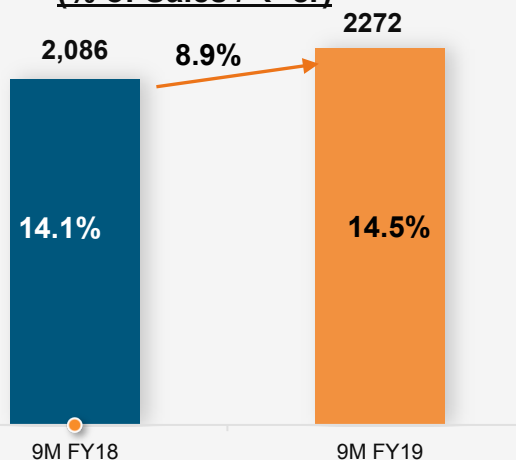
Commentary

1. In order to do a like for like comparison, the numbers depicted here are pre IND-AS adjustments.
2. 9M overall revenue increased by 6.1%. The growth was lower mainly due to the loss of business due to political disturbances in a few large centers, closure of stores and decline in de-prioritized electronics business in Q2 and Q3.
3. Quality of earnings on the new business continues to be strong. GM and EBITDA expanded by 11% and 20% respectively.
4. Operating costs, including one-time expenditures, grew by ~9%. The main impact of cost optimizations shall accrue in the coming quarters.

EBITDA (% / ₹ cr)

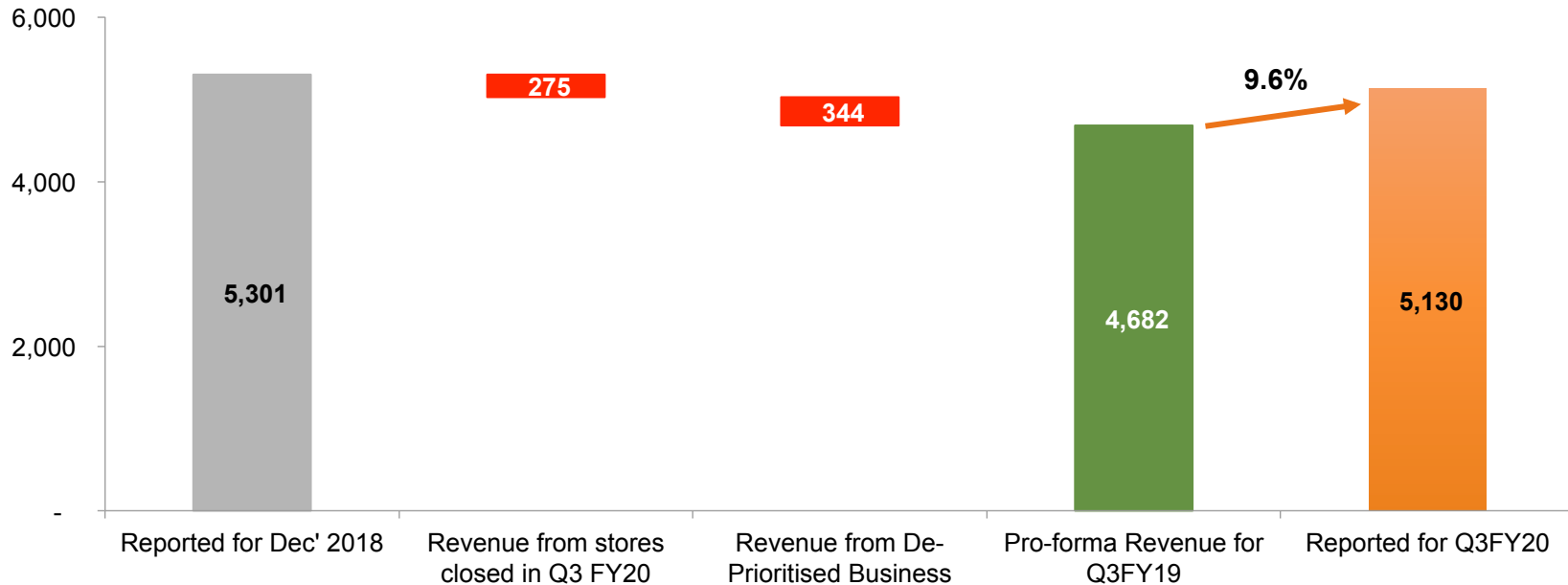


Operating Costs (% of Sales / ₹ cr)



Note: Operating costs include all costs above EBITDA except rentals.

“Quarterly” Income from Operations



- Above numbers represent revenue from operations for quarter (base) ended Dec' 2018 and the adjustments on account of store closures, revenue from de-prioritized businesses and like for like comparable Q3FY20 revenues.
 - De-prioritized business comprises of business from electronics wherein the focus has shifted to Koryo (FRL own brand) for last 2 quarters and sub-categories exited within General Merchandise (such as Toys, Stationery,
- Adjusted for the above, implied growth in revenues was 9.6% in Q3FY20 over Q3FY19**
 - Overall FRL SSG for Q3FY20 was 2.1%
 - Small format SSG was 6.9% and Big Bazaar was 1.6%

Quarterly (Q3) Y-o-Y Income Statement: With and Without Ind AS 116

Particulars (₹ cr) For 3 months ended	Without IND AS 116		With IND AS 116		
	31-Dec-18	31-Dec-19	Y-o-Y	31-Dec-19	Y-o-Y
Total income from Operations	5,301	5,130	-3.2%	5,130	-3.2%
Gross Profit	1,380	1,474	6.8%	1,474	6.8%
Gross Margin %	26.0%	28.7%		28.7%	
Employee benefits expense	277	234	-15.6%	234	-15.6%
Rent including lease rentals	375	415	10.6%	29	
Other Expenditures	450	515	14.3%	515	14.3%
Total expenditure	1,103	1,164	5.5%	778	-29.5%
Other Income	5	15		15	
EBITDA	283	325	14.8%	711	151.2%
EBITDA%	5.3%	6.3%		13.9%	
Depreciation and amortisation	25	42		271	
EBIT	258	283	9.9%	440	70.6%
EBIT %	4.9%	5.5%		8.6%	
Finance Costs	56	88	56.6%	269	
PBT	201	195	-3.1%	171	-15.2%
PBT%	3.8%	3.8%		3.3%	
Tax Expenses	-	-		-	
PAT	201	195	-3.1%	171	-15.2%

Particulars (₹ cr) For 9 months ended	Without IND AS 116		With IND AS 116		
	31-Dec-18	31-Dec-19	Y-o-Y	31-Dec-19	Y-o-Y
Total income from Operations	14,768	15,673	6.1%	15,673	6.1%
Gross Profit	3,939	4,360	10.7%	4,360	10.7%
Gross Margin %	26.7%	27.8%		27.8%	
Employee benefits expense	799	748	-6.4%	748	-6.4%
Rent including lease rentals	1,107	1,223	10.5%	84	
Other Expenditures	1,287	1,525	18.5%	1,525	18.5%
Total expenditure	3,193	3,496	9.5%	2,356	-26.2%
Other Income	14	44		44	
EBITDA	761	909	19.5%	2,048	169.3%
EBITDA%	5.1%	5.8%		13.1%	
Depreciation and amortisation	68	116	69.8%	772	
EBIT	692	793	14.6%	1,276	84.3%
EBIT %	4.7%	5.1%		8.1%	
Finance Costs	163	241	47.9%	772	
PBT	530	553	4.3%	504	-4.8%
PBT%	3.6%	3.5%		3.2%	
Tax Expenses	-	-		-	
PAT	530	553	4.3%	504	-4.8%

Quarterly Q-o-Q Income Statement: Without Ind AS 116

Particulars (₹ cr) For 3 months ended	Without IND AS 116 31-Dec-18	Without IND AS 116		Without IND AS 116	
		31-Dec-19	Y-o-Y	30-Sep-19	Q-o-Q
Total income from Operations	5,301	5,130	-3.2%	5,394	-4.9%
Gross Profit	1,380	1,474	6.8%	1,464	0.7%
Gross Margin %	26.0%	28.7%		27.1%	
Employee benefits expense	277	234	-15.6%	232	0.8%
Rent including lease rentals	375	415	10.6%	413	0.3%
Other Expenditures	450	515	14.3%	528	-2.6%
Total expenditure	1,103	1,164	5.5%	1,174	-0.9%
Other Income	5	15		21	
EBITDA	283	325	14.8%	310	4.7%
EBITDA%	5.3%	6.3%		5.8%	
Depreciation and amortisation	25	42		39	
EBIT	258	283	9.9%	272	4.2%
EBIT %	4.9%	5.5%		5.0%	
Finance Costs	56	88	56.6%	84	4.5%
PBT	201	195	-3.1%	188	4.0%
PBT%	3.8%	3.8%		3.5%	
Tax Expenses	-	-		-	
PAT	201	195	-3.1%	188	4.0%

Particulars (₹ cr)	31-Dec-18	31-Dec-19	Y-o-Y	30-Sep-19	Y-o-Y
For 3 months ended					
Total income from Operations	5,301	5,130	-3.2%	5,394	-4.9%
Gross Profit	1,380	1,474	6.8%	1,464	0.7%
Gross Margin %	26.0%	28.7%		27.1%	
Employee benefits expense	277	234	-15.6%	232	0.8%
Rent including lease rentals		29		28	0.8%
Other Expenditures	825	515	-37.6%	528	-2.6%
Total expenditure	1,103	778	-29.5%	789	-1.5%
Other Income	5	15		21	
EBITDA	283	711	151.2%	695	2.3%
EBITDA%	5.3%	13.9%		12.9%	
Depreciation and amortisation	25	271		261	4.1%
EBIT	258	440	70.6%	435	1.2%
EBIT %	4.9%	8.6%		8.1%	
Finance Costs	56	269	378.0%	263	2.1%
PBT	201	171	-15.2%	171	-0.3%
PBT%	3.8%	3.3%		3.2%	
Tax Expenses	-	-	-	-	-
PAT	201	171	-15.2%	171	-0.3%

Our Ecosystem Continues to Grow



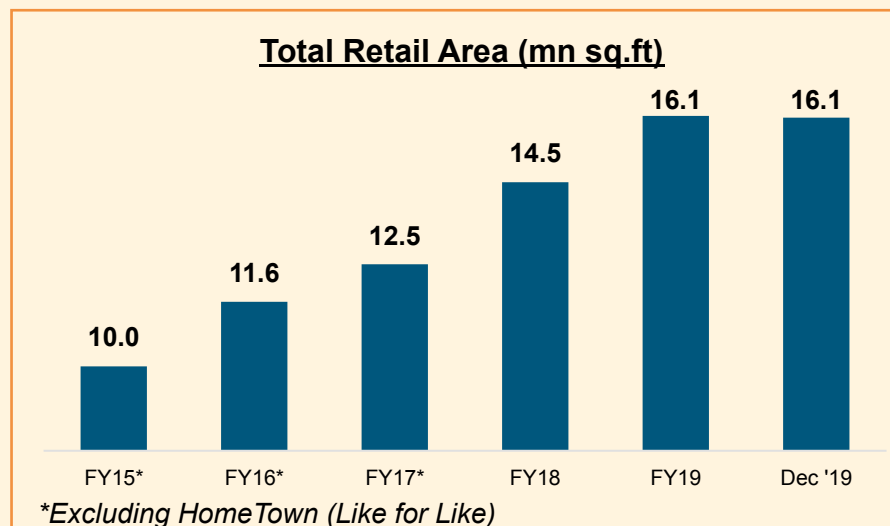
	Formats	As on 30 September 2019			Net Store Additions	As on 31 December 2019		
		Stores	Cities	Area (mn sqft)		Stores	Cities	Area (mn sqft)
Large Stores	Making India Beautiful	293	147	12.63	(3)	290	148	12.62
	Ladies Fashion Bout	95	47	1.04	-	95	48	1.07
		9	4	0.13	-	9	4	0.13
Small Stores		1,147	344	2.55	(157)	990 ⁽¹⁾	315	2.20
Others	smarter living	6	4	0.06	(2)	4 ⁽²⁾	3	0.03
Cumulative		1,550	432	16.40	(162)	1,388	414	16.05

(1) Includes 98 WH Smith stores

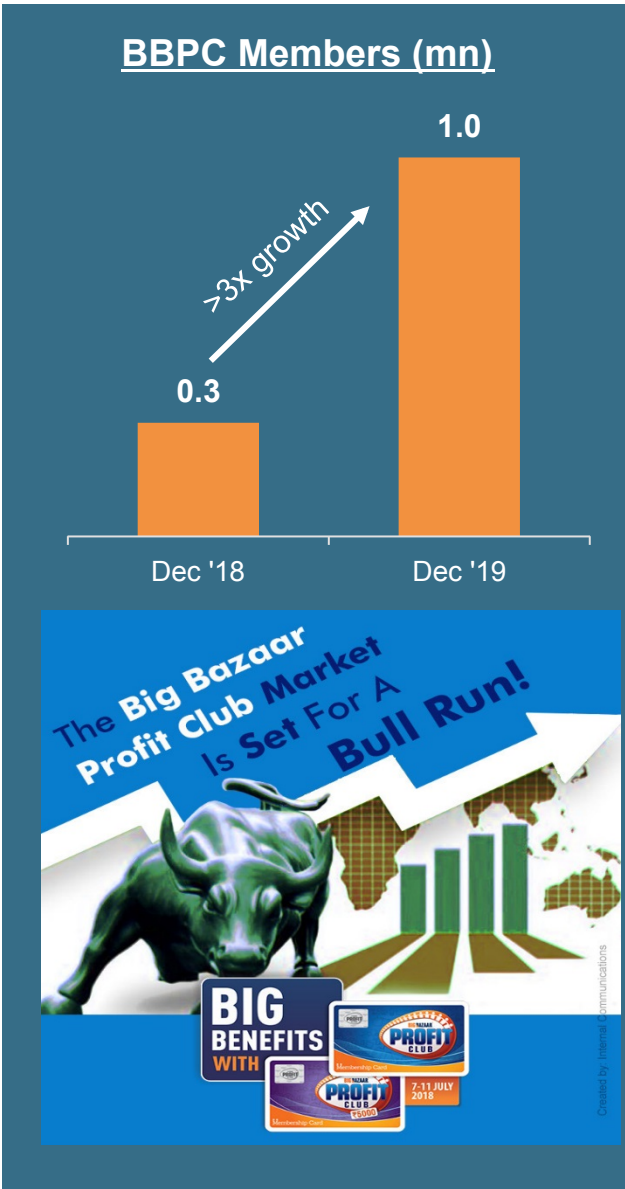
(2) As of Feb' 20, only 1 e-zone store is operational now.

New stores opened during the quarter:

- 3 Big Bazaar stores
- 2 fbb stores



- ~10 lakh members
- ~20 Average Yearly store visits
- Average ticket size of > ₹2,000
- ~ ₹40,000 Average annual spend per user



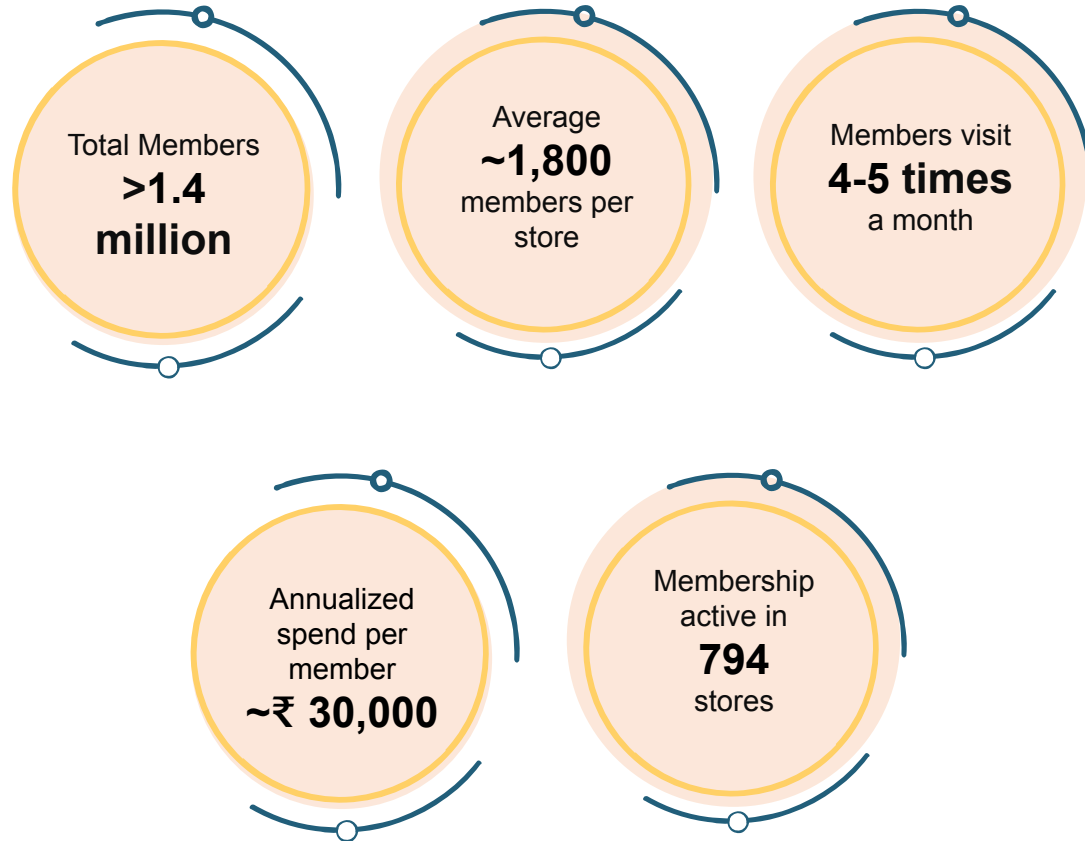
Achieves Over 110%
With 1 lakh+ Recruitments In March 2019

Congratulations
To The Team For Living Up To Its Promise In The Year Of 110%

Your **Benefit Index** Is Set To **Soar High** With The **Big 5 Profit Days**

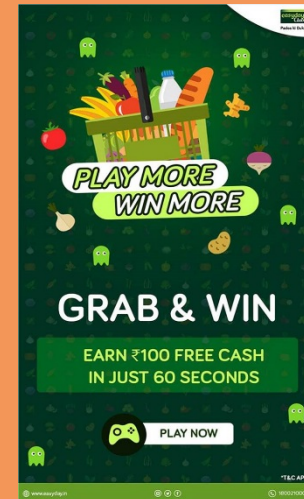
BIG BENEFITS WITH

Enrol or Renew
Your Profit Club Membership



Member-centric high-value ecosystem

Easyday Club Members (in mn)



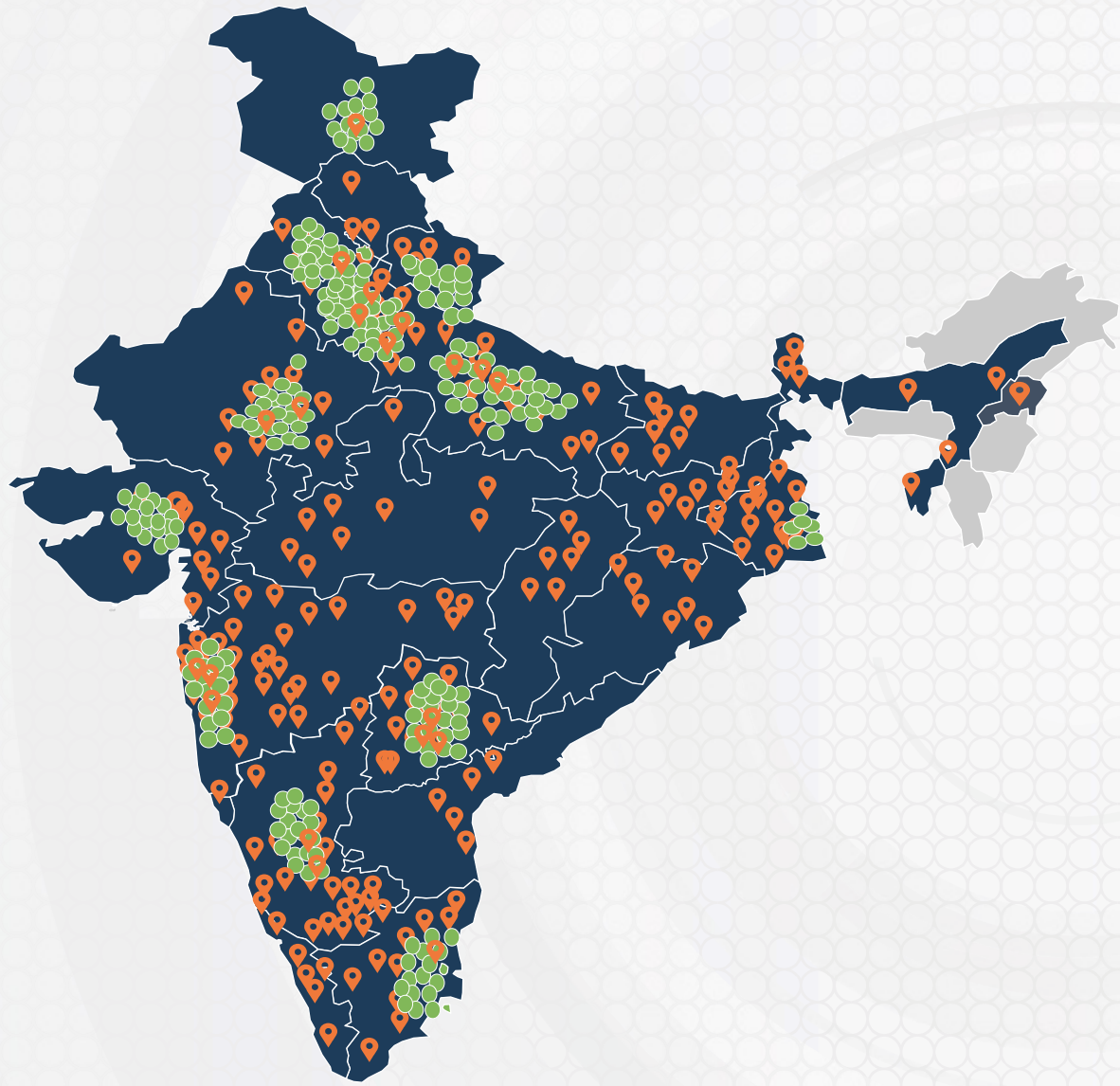
APPENDIX: Impact of IND AS - 116



- New lease standards effective from 1st April 2019.
- No distinction between finance lease & operating lease.
- All leases to be recognized in the balance sheet as an Asset and Liability.
 - The lease liability is measured at present value of minimum lease payments to be made over the lease term.
 - The right to use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, if any
 - Right to use is depreciated over a lease term on a straight-line basis. Interest is added on lease liabilities and actual payments are reduced from the liabilities balance.
- Operating lease expenses will be replaced by Depreciation and interest expenses.
- Exemptions available in the standard is pertaining to short term leases (≤ 12 months) and assets having low values.

Standalone Income Statement (Q3FY20)	Impact (Rs cr)
Revenue	-
Operating costs (excluding depreciation and amortization)	-386
EBITDA	+ 386
Depreciation and amortization	+230
Operating Profit (EBIT)	+156
Finance costs	+181
Profit before tax	-24

Consolidated Income Statement (Q3FY20)	Impact (Rs cr)
Revenue	-
Operating costs (excluding depreciation and amortization)	-404
EBITDA	+404
Depreciation and amortization	+244
Operating Profit (EBIT)	+161
Finance costs	+188
Profit before tax	-27



FUTURE
RETAIL:
RIGHT
NEXT
TO YOU

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.

Corporate Office:

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