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ZABKA GROUP ANNOUNCES INTENTION TO FLOAT ON WARSAW STOCK EXCHANGE

Zabka Group, Poland's ultimate tech-powered convenience ecosystem, today announces its intention to conduct an Initial Public Offering (the 'IPO' or the 'Offer') for the listing of its shares on the Warsaw Stock Exchange.

Zabka Group Highlights

- Zabka Group is the ultimate tech-powered convenience ecosystem, comprising Poland's leading convenience retailer with more than 10,500 stores operated under a franchise model, newly launched store operations in Romania and an advanced digital customer offering (together with Romania referred to as New Growth Engines) which includes D2C meal solutions (Maczfit), a D2C meal marketplace (Dietly), eGrocery businesses (delio, Jush!) and autonomous unmanned Żabka Nano stores.
- The Company's mission is to create value by simplifying people's everyday lives and allowing them to "free up free time" while also promoting a responsible approach towards products, packaging, customers, franchisees, suppliers and the broader environment.
- Zabka Group has delivered over 25 years of uninterrupted strong, positive growth in all major areas of its operations, growing its Sales to End Customers at a CAGR of 23% over 2000-23. This was driven by a combination of rapid store roll-out and a strong performance of the existing store network.
- Over the period 2021-2023, Zabka Group grew its Sales to End Customers at a 25%+ CAGR, driven by a healthy mix of new store openings and increasing like-for-like sales. This growth has supported strong and consistent profitability and cash conversion. Adjusted EBITDA grew at a 2021-23 CAGR of 19%, with an Adjusted EBITDA margin of 12.4% in 2023. Average Cash Conversion in 2021-2023 and in the first half of 2024 was above 85%.
- Zabka Group is well positioned to deliver future growth, with a strategy that leverages a set of highly differentiated competitive strengths and employs its 'tech-powered convenience ecosystem' to serve a range of different customer missions and capitalise on attractive market dynamics. This strategy is focused on three key pillars: new store openings; LFL, traffic and basket growth; and further growth of the digital customer offering. Therefore the Group targets to further grow its market share and Sales to End Customers, increase its profitability and deliver strong cash flows.
- As Poland's largest convenience retailer, Żabka enjoys approximately 90% brand awareness in the country and has c. 17m consumers living less than 500m from their nearest store. In 2023 Zabka Group conducted approximately 3.6 million average daily transactions.

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Tomasz Suchański, CEO of Zabka Group, commented: *"We are delighted to be taking this next step in Zabka Group's journey, which is the result of the success of our franchisees, the hard work and passion of our people, and a long track record of consistent profitable growth.*

"Since the business was founded in 1998, Zabka Group has grown to become Poland's leading convenience ecosystem, with a clear focus on simplifying people's everyday lives and allowing them to free up free time.

"With more than 10,500 physical stores across Poland and Romania and a leading digital offering, we provide consumers with personalised experiences as we respond to their evolving needs.

"As consumers increasingly look for convenience, an IPO will allow Zabka Group to further capture the significant market opportunity that we see ahead of us. We have set clear and achievable medium-term targets to realise that opportunity, with an aim to double Sales to End Customers by 2028, while opening more than 1,000 stores per year in the medium term in Poland and Romania.

"We are confident that becoming a public company will benefit all of our stakeholders, creating value for shareholders and opportunities for our people, while also supporting local communities and entrepreneurship by providing our franchisees with the tools and knowledge to run their own businesses."

Krzysztof Krawczyk, Chairman of the Board of Directors of Zabka Group and Partner at CVC Capital Partners, commented: *"Zabka Group's strong track record and consistent profitable growth is testament to the effectiveness of its executive team, operating model, distinct franchisee strategy and the attractiveness of its convenience ecosystem for time-constrained consumers.*

"We are proud to have partnered with Zabka Group in recent years, investing to capture the significant market opportunity that we see. We look forward to remaining a supportive shareholder, and see an IPO as the natural next step as Zabka Group's management continues to execute against its ambitious growth strategy."

Market overview

Poland represents the fifth largest EU market by population and the sixth largest EU market by 2023 GDP and 2023 consumer expenditure. It is one of the fastest growing economies in the EU, with real GDP growing at CAGR of 2.6% between 2018 and 2023, according to OC&C. The outlook for Poland is strong with real GDP per capita projected to grow at a 2023-28 CAGR of 3.2% (+1.9 percentage points above the growth rates forecast for Western Europe). Polish consumers continue to increase their spending on goods and services, year on year, with a projected CAGR of 8% between 2023-28, as compared to 3.6% in Western Europe.

Zabka Group has been successfully addressing these strong underlying trends and is disrupting a large, growing Total Addressable Market, which has translated into its successful consumer proposition. Zabka Group's ultimate convenience ecosystem is uniquely positioned to capture the fastest growing parts of the market through both its physical and digital channels.

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A strategy to deliver future growth

Zabka Group is well positioned to deliver future growth, leveraging a set of highly differentiated competitive strengths – best depicted by its key investment highlights:

(i) Ultimate "Tech-powered Convenience Ecosystem", disrupting a PLN 584 billion Polish TAM

Zabka Group's Total Addressable Market (TAM) in Poland is worth over PLN 580 billion and is projected to grow at approximately a 4.6% CAGR between 2023 and 2028, according to OC&C. The TAM consists of five key market segments: (i) Physical Grocery; (ii) eGrocery; (iii) Foodservice; (iv) D2C Meal Plan; (v) Other Convenience Services (parcels, phone and game top-ups, bill payments, etc.) & Health & Beauty. The expected growth reflects a strong macroeconomic environment and increasing levels of consumer confidence.

Zabka Group's Directly Addressable Market (DAM), a subsegment of TAM, is directly tied to same-day consumer missions which captures Zabka Group's current proposition with a value of PLN 113 billion and is expected to grow at a CAGR of 8.6% between 2023 and 2028, ahead of TAM, according to OC&C. The higher growth of DAM is underpinned by growing same-day share of grocery driven by lifestyle and demographic shifts.

While Zabka Group accounts for the majority of the modern convenience channel in Poland, it captures only 3.9% of the TAM, 4.8% of the physical grocery market, and 20.1% of the grocery DAM, which leaves clear headroom for further growth, according to OC&C.

(ii) Engaging time-constrained consumers through a differentiated proposition

Zabka Group caters to a time-constrained customer base, which is younger, more urban and more affluent than the broader Polish population. These customers prioritise convenience and are willing to pay to "free up free time". 76% of Zabka Group customers shop for same day consumption, significantly greater than approximately 40% at Polish discounters, according to OC&C.

(iii) Operating at the intersection of three consumer megatrends: ultimate convenience, digital engagement and responsible choices

Żabka stores are designed for quick, convenient shopping with easy navigation and use proprietary AI algorithms and software to continually enhance operations. Quick Meal Solutions and Everyday Services, including parcel and postal services, are at the core of Zabka Group's convenience proposition. Vast majority of stores are available seven days a week, 365 days a year, differentiating Zabka Group from other market players.

Over the past two years, Zabka Group has built a food-focused Digital Customer Offering in Poland. This includes rapid eGrocery solutions Jush! and delio, its network of 44 autonomous Nano stores in Poland and Germany (as of 30 June 2024) and market-leading D2C meal provider Maczfit, which produced and delivered 28 million meals in 2023 alone.

Zabka Group is also focused strongly on customer needs and has responded to a strong consumer shift towards responsibility, as demonstrated by its ESG strategy.

(iv) Easily scalable franchise network with a proven growth model supported by natural logistics platform

Zabka Group has a tailored franchise model, with a clear split of responsibilities between Zabka Group and its franchisees who are local entrepreneurs independent from the Company. Within the model, the franchisees can benefit from Zabka Group's scale and consistency, which contribute to market advantage in certain areas. These areas include: store location selection, lease of premises, store design, assortment strategy and supply chain which fall under the Group's responsibility. The franchisees can concentrate their efforts on key areas such as store self-management, customer service, management of their own staff employees and inventory management. Furthermore, Zabka Group provides the franchisees with digital tools and applications to facilitate running their business on a daily basis.

Zabka Group has a successful growth strategy and launches approximately 1,000 stores annually. A dedicated team of approximately 130 people, combined with a proven AI-based approval system, are continually focused on identifying prime locations for new stores. This growth is supported by Zabka Group's well-invested and fully digitised logistics platform, complemented with a dedicated centralised procurement function.

(v) Over 25 years of consistent profitable growth of more than 20% sustaining a leading profit margin, payback and cash conversion

Zabka Group has delivered over 25 years of uninterrupted strong, positive growth in all major areas of its operations: sales, stores efficiency, overall profitability and cash conversion.

Sales to End Customers have grown at a 2000-23 CAGR of 23%, driven by a combination of rapid store roll-out and a strong performance of the existing store network. In the six-month period ended 30 June 2024, Sales to End Customers amounted to PLN 12,893 million relative to PLN 10,532 in the first half of 2023.

Strong revenue growth has supported strong profitability, delivering Adjusted EBITDA at a 2021-23 CAGR of 19%, and an Adjusted EBITDA margin of 12.4% in 2023 with the average Cash Conversion in 2021-2023 and in the first half of 2024 being above 85%. Furthermore, in the six-month period ended 30 June 2024, Zabka Group recorded Adjusted EBITDA growth of 33%, relative to the first half of 2023.

(vi) Multiple, tangible drivers of future growth

Zabka Group aim is to more than double its 2023 levels of Sales to End Customers by 2028 through a combination of:

(i) New store openings:

Zabka Group sees an overall market opportunity for approximately 19,500 Żabka stores in Poland and approximately 4,000 stores in Romania, implying significant headroom across both markets. Zabka Group aims to open over 1,000 stores per annum in the medium term in these markets. Zabka Group has approximately 130 dedicated expansion team members, an AI-driven process of approving store locations and significant pipeline visibility.

(ii) LFL growth:

Zabka Group is targeting high single digit (7.5-9.0%) LFL growth in 2024 and mid-to-high single digit LFL growth in the medium term underpinned by initiatives driving traffic and basket size through a combination of rolling out the latest layout including Żabka Café 2.0 (an extended range of quick meal solutions, warm snacks and street food), expanding the range of everyday services, continued innovation in products, traffic and basket initiatives, further development and upgrade of the leading Żappka consumer app.

(iii) Prudent profitable growth in the Digital Customer Offering:

Zabka Group aims to increase its annual Sales to End Customers from its Digital Customer Offering five-fold in the next five years in a prudent and profitable manner (targeting breakeven in 2024). The focus of Zabka Group's strategy includes expanding Maczfit's brand, strengthening end-customer and merchant relationships for Dietly and expanding rapid eGrocery delivery dark store footprint.

All the while, Zabka Group intends to grow responsibly by achieving specific targets relating to its carbon footprint, products and packaging, customers, franchisees, its suppliers, and the broader environment.

(vii) Entry into highly attractive adjacent Romanian market with substantial untapped TAM

Zabka Group recently entered the highly attractive Romanian market via the acquisition of DRIM – a top 10 distribution company in Romania. Through the acquisition, Zabka Group gained access to a strong logistics platform serving 13,000 physical locations and an established supplier network. DRIM has more than 25 years of know-how in the Romanian market, same-day delivery capacity, approximately 800 employees, and an extensive relationship with various local suppliers.

Romania is a sizeable, fast growing and significantly underserved market with a TAM of PLN 179 billion and DAM of PLN 43 billion and approximately 4,000 white space potential for convenience stores. To date, Zabka Group has already opened more than 20 stores in Romania and the rate of store openings in Romania is expected to gradually increase as Zabka Group continues to refine its proposition in the country.

(viii) Visionary, dynamic and highly experienced management team with strong track record of delivery

The strong operating and financial performance has been delivered by an experienced senior management team, who enjoy a strong track record of delivery.

Zabka Group's Management Committee, consisting of Tomasz Suchański (Group Chief Executive Officer, Executive Director, President of the Management Committee); Adam Manikowski (Managing Director, Żabka Polska); Anna Grabowska (Managing Director, Zabka International); Tomasz Blicharski (Group Chief Strategy & Development Officer); Marta Wrochna-Łastowska (Group Chief Financial Officer), Jolanta Bańczerowska (Group Chief People Officer); and Wojciech Krok (Managing Director, Żabka Future) have a combined professional experience of 147 years. They have gained experience in leading international and domestic firms. There is a deep bench of future leaders, maintaining a significant focus on training and development. According to a Gallup Q12 engagement survey in 2023, Żabka employees are five times more engaged than the average employee in Poland.

ESG is embedded in operations and is at the heart of everything that Żabka Group does

Zabka Group's strategic commitment in respect of ESG is to create conditions for sustainable living for everyone, everyday, which entails offering more conscious and sustainable choices, making an impact on entrepreneurs and local communities, shaping purpose-led organisation and minimising the environmental impact across the whole value chain.

The ESG strategy is based on four pillars: (i) a sustainable lifestyle; (ii) a mindful business impact; (iii) a responsible organisation; and (iv) a green planet. For each of these pillars, there are clearly defined commitments that have already delivered key initiatives.

FY 2023 and HY 2024 Financial Results

Year ended 31 December 2023 compared to year ended 31 December 2022

Sales to End Customers increased by PLN 4,245 million, or 23%, to PLN 22,775 million in 2023 compared to PLN 18,530 million in 2022. Similarly, revenue increased by PLN 3,802 million, or 24%, to PLN 19,806 million in 2023 compared to PLN 16,003 million in 2022. This was mostly driven by a combination of LFL growth (which amounted to 10.8% in 2023) and expansion of Żabka Group's store network (which increased by 1,100 gross store openings to 10,014 total stores at the end of 2023). The increase was additionally supported by development of digital customer offering segment, with the sales increasing by 68% year on year.

Adjusted EBITDA increased by PLN 416 million, or 17%, to PLN 2,834 million in 2023 compared to PLN 2,418 million in 2022.

Half year ended 30 June 2024 compared to half year ended 30 June 2023

Sales to End Customers increased by PLN 2,361 million, or 22%, to PLN 12,893 million in the six-month period ended 30 June 2024, compared to PLN 10,532 million in the six-month period ended 30 June 2023. Similarly, revenue increased by PLN 1,971 million, or 21.5%, to PLN 11,148. million in the six-month period ended 30 June 2024, compared to PLN 9,177 million in the six-month period ended 30 June 2023. This was mostly driven by a combination of LFL growth (which amounted to 10.3% in the six-month period ended 30 June 2024) and expansion of Zabka Group's store network.

Adjusted EBITDA increased by PLN 351 million, or 33.5%, to PLN 1,399 million in the six-month period ended 30 June 2024, compared to PLN 1,048 million in the six-month period ended 30 June 2023.

Q3 2024 Update

The business is developing according to plan and in line with management's expectations. In Q3 2024, Zabka Group continued to see positive Sales to End Customers and Adjusted EBITDA dynamics. As anticipated, the Company expects Q3 to deliver the upper end of mid-single-digit LFL growth, due to a high base effect including the positive impact of weather in Q3 2023. Zabka Group expects to deliver high single digit (7.5-9.0%) LFL growth for the full year 2024.

Zabka Group targets improvements in Adjusted EBITDA margin towards the top-end of its 12-13% target range in the medium-term. It expects accelerated pace of margin expansion in the near-term benefiting from normalisation of energy costs as well as increased efficiencies of scale.

Medium term targets

Zabka Group has a well-defined strategy for unlocking future value. This strategy is focused on three key pillars: (i) new store openings in Poland and Romania: (ii) LFL traffic and basket growth and (iii) further growth of the Digital Customer Offering. Management has set the following medium-term targets for Zabka Group.

Sales to End Customers

Zabka Group aims to double the 2023 level of Sales to End Customers by 2028 through a combination of new store openings, LFL growth and contribution from Zabka Group's digital customer offering.

It aims to open approximately 1,100 stores in 2024 and continue opening over 1,000 per annum in the medium term in Poland and Romania. It expects to reach approximately 14,500 stores in Poland by 2028 (approximately 4,500 new stores opening between 2024 and 2028 in Poland).

Zabka Group is targeting high single-digit LFL growth in 2024 (7.5-9.0%) and mid to high single-digit LFL growth in the medium term. This is expected to be driven by both: strategic initiatives (including Żabka Café 2.0 – an extended range of quick meal solutions, warm snacks and street food), use of data, advanced analytics and AI to tailor the offering to customers' needs as well as ongoing enhanced commercial and marketing activities.

In Digital Customer Offering, Zabka Group aims to grow the 2023 level of Sales to End Customers five-fold by 2028 and achieve positive Adjusted EBITDA in 2024.

Adjusted EBITDA

Zabka Group targets improvements in margin towards the top-end of our 12-13% target range in the medium-term. We expect accelerated pace of margin expansion in the near-term benefiting from normalisation of energy costs as well as increased efficiencies of scale.

Net Income and Leverage

Zabka Group expects Adjusted Net Income margin improvement in the medium term, expecting to reach c.4.5% margin driven by lower interest and tax improvements.

The Company's medium-term ambition is to reach Net Debt (excluding lease liabilities) / Adjusted EBITDA (post-rent) below 1x.

Background to, and reasons for, the Offering

Management believes that the listing of the Shares on the WSE will strengthen Zabka Group's public profile by way of increased attention and brand awareness among current and potential commercial partners as well as other interested parties. Management expects the Offering to create a new long-term shareholder base for Zabka Group, as well as liquidity for its existing and future shareholders.

The Offering will provide the selling shareholders with an opportunity to partially realise their investment in the Company. Furthermore, Management is of the opinion that an initial public offering will benefit the Company by giving it greater access to the local and international capital markets in the event any future capital needs arise including, in particular, in connection with funding any potential M&A transactions.

Management also believes that the WSE Admission will assist it with incentivising the management team and senior staff, and enhance Zabka Group's employer branding.

Use of proceeds

The offering will consist of a placing of existing shares to institutional investors in certain jurisdictions and to retail investors in Poland. The Company will not receive any of the proceeds from the sale of the Offer Shares by the selling shareholders. The selling shareholders will receive all of the proceeds from the sale of the Offer Shares.

About Zabka Group

Zabka Group is the ultimate convenience ecosystem with a mission to create value by simplifying people's everyday lives and allowing them to "free up free time". The Group serves a growing number of consumers who are looking for convenience and promotes a responsible approach towards products, packaging, customers, franchisees, suppliers and the broader environment.

The ecosystem comprises Poland's leading convenience retailer with more than 10,500 physical stores operated under a franchise model, supplemented by 24/7 autonomous unmanned Żabka Nano Stores. The Group also has an advanced, continually evolving digital customer offering. Its Maczfit operation delivers restaurant-quality prepared meals to consumers seeking convenient and healthy food, while Dietly is the leading online D2C meal solutions marketplace. The Group's eGrocery business is operated through two brands: Jush! and delio. Zabka Group recently entered the highly attractive Romanian market via the acquisition of DRIM.

Żabka's business in Poland is supported by a well-invested logistics platform, represented by eight distribution centres, 19 cross-docking facilities, and dedicated dark store and dark kitchen infrastructure to support the digital offering.

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This announcement does not constitute a recommendation concerning the Offering. The value of shares can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of the Offering for the person concerned.

The Banks are acting exclusively for the selling shareholders and no one else in connection with the Offering. They will not regard any other person as their respective clients in relation to the Offering and will not be responsible to anyone other than the selling shareholders for providing the protections afforded to their respective clients, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the Offering of the Shares, the Banks and any of their affiliates, may take up a portion of the Shares comprised in the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell for their own accounts such Shares and other securities of the Company or related investments in connection with the Offering or otherwise. Accordingly, references in the Prospectus, once published, to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Banks and any of their affiliates acting in such capacity. In addition, the Banks and any of their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors in connection with which the Banks and any of their affiliates may from time to time acquire, hold or dispose of shares. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. None of the Banks or any of their respective directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Company, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

In connection with the Offering, Goldman Sachs as stabilisation manager (the Stabilisation Manager"), may, for stabilisation purposes, over-allot Shares. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilisation period, the Stabilisation Manager will enter into over-allotment arrangements pursuant to which the Stabilisation Manager may purchase or procure purchasers for additional Shares. The over-allotment arrangements will be exercisable in whole or in part, upon notice by the Stabilisation Manager, at any time on or before the 30th calendar day after the listing of the Shares on the WSE. Any Over-allotment Shares made available pursuant to the over-allotment arrangements, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offering and will form a single class for all purposes with the other Shares.

Certain data in this announcement, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this announcement may vary slightly from the actual arithmetic totals of such data. Percentages in tables may have been rounded and accordingly may not add up to 100%.

For the avoidance of doubt, the contents of the Company's website are not incorporated by reference into, and does not form part of, this announcement.

Information to Distributors:

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming any and all liability, whether arising in tort, contract or otherwise, that any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares that are the subject of the Offering have been subject to a product approval process that has determined that such Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Banks will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining the appropriate distribution channels.