



Q3 2024 Consolidated Financial Information of Zabka Group – Conference Call November 5, 2024

Tomasz Suchanski:

Good morning and welcome to our first quarterly results meeting after Zabka Group's IPO on the Warsaw Stock Exchange. My name is Tomasz Suchanski and I'm CEO of the group. I am joined today with Marta Wrochna, our CFO, Tomasz Blicharski, our Chief Strategy and Development Officer of the group, and Filip Paszke, our Director of Investor Relations. I'm very pleased to inform you that the third quarter marked another quarter in 2024 with a very good results for Zabka. Our EBITDA increased by 18% to 1.1 billion Polish zloty. Cumulatively for nine months, this figure increased by 26% to 2.5 billion. Our net profit in the third quarter increased by 42% to 319 million.

The increase in profits and effective cash generation allowed us to significantly reduce our financial leverage by 0.7 times to 1.4. Excellent financial results would not have been possible without sales increase of 17% to 7.5 billion Polish zloty in the third quarter of '24. In nine months, our sales exceeded 20 billion, up 20% from last year. Two components significantly impacted the sales growth. The first is like for like which amounted to 6% in the third quarter and 8.6% in the first nine months of this year. The second is the expansion of our network, which now includes over 10,900 stores and expanded by 266 locations in the third quarter and 892 locations in nine months. The solid results we recorded for the third quarter of '24 are supported by favorable market conditions.

The real wage growth positively impacts the consumer, which translates into increased food sales in Poland according to Nielsen. Tomasz will explain in a moment the difference between this data and the data from the central statistical office. We would like to reconfirm our growth strategy based on three pillars, expansion. The network growth by 892 stores in the first nine months allows us to confirm that we will open approximately 1,100 new stores this year. The second pillar, like-for-like growth of 8.6% in the first nine months, allows us to confirm the like-for-like target of 7.5 to 9% for the entire 2024. The new growth engines such as positive first openings in Romania and over 30% sales growth in DCO allows us to confirm that we are on track in the new businesses. Now I will ask Tomasz to present the market evolution and our strategy.

Tomasz Blicharski:

Good afternoon everyone. So starting with a consumer, we've seen another quarter of improvement in consumer sentiment that is driven by the growth of real wages, so the wages reduced by inflation. That has been another quarter in this year that this trend continued. That translated into increased customer confidence as well as increased assessment of the households of the consumers of their financial situation. And that in fact fueled the growth of the entire FMCG market. Here we present the Nielsen data for nine months as well as the Q3 alone. So if the nine months, the market has increased by north of 5% balance between the volume and value, close to 2% in terms of volume and over 3% in terms of

value on top of the volume. So more than 5% altogether. And for the Q3 alone, that growth was north of 4% with 1.2% volume growth and a little bit more than 3%, around 3% price driven growth.

In terms of the channels itself, the trends were similar in Q3 as we have seen them in the first half of the year while we as Zabka have outperformed the market, here on the left-hand side, you see that the volume like-for-like sales growth, which is the green line, have outperformed the volume market growth by roughly 4 percentage points in Q3 alone. And it was a fairly similar growth and that we have seen in the first two quarters. What you can also see here is that the market growth as well as our growth in Q3 was somewhat affected by the high base of Q3, 2023 especially. That's the case for the market growth that as you've seen, has rebounded sharply last year for Q3 '23. But even for us in terms of our like-for-likes on the volume basis, first quarter and second quarter of last year, were at a different kind of pace of growth in the high inflationary environment compared to Q3, Q4 and next periods.

In terms of the market, all of that growth, and on top of it, the store openings translated into another quarter of increased market share from 6% a few years ago to more than 10% as you see in the last period as you see on the right-hand side here. And what has driven this performance? A few slides on that front. So firstly, as we have mentioned, the store openings. More than 260 stores opened in the Q3 alone, a little bit of growth compared to the quarter of last year and close to 900 stores open since the January 1st. This year, we're approaching 11,000 stores altogether as a company. And what is very important as well is that we see that the performance of the newly open stores has improved or is gradually improving year-on-year. And that was also the case this year, which is obviously very important given that's a big part of our value creation story.

What is also important is that we've seen that we have been able to secure a good pipeline of real estate locations for stores to be open in the periods. On the Romanian front, as we have shared in the prospectus and the prior communication, we have continued with the test. In the Q3, we've opened 20 plus stores. We have 26 plus stores opened in Romania. Most of them are in Bucharest, both in residential and traffic areas. And we have seen first initial results of the test. We have seen very good traction of the customer, especially with the QMS section of the offering and growing adoption or growing understanding of the new brand on the market, which is the Froo brand that we used in Romania. As we have shared before, we will continue this phase with this assessment to exactly determine the pace of growth in the next coming quarters.

Moving to the second pillar of our value creation strategy, so the like-for-like sales, we have been able to grow our like-for-like sales by 6% in Q3. That is a healthy balance between the value and volume and obviously a lot of different initiatives on the commercial side contributed to that. In fact, in all the categories, we have been very active, so I'll share only a few of them here. Firstly, we've been continuing the remodeling and developing our street food, Zabka Cafe 2.0, so retrofitting the additional heating equipment as well as certain other aspects into the stores. At the end of the quarter, close to 7,000 stores are equipped with this equipment and more importantly, with the enlarged hot food assortment. And that's in line with our expectations. And secondly, we've been working on improving the product offering. We launched 11 new product lines during that quarter in that space, including which became a hit with the customers, the takeaway pizza.

Additionally, in that aspect we're obviously fine-tuning and working on streamlining the operational procedures of the stores as well in other aspects of commercial activities. We have been continuing the innovative drive that we've had and we have shared with you as our philosophy. We've launched close to 400 products in this quarter alone, new products, and one of the highlights was Oreo flavored Coca-Cola, which was one of the hits with the customers as well. On the other commercial aspects, we have launched new ways of promotions, including "Rabatobranie", which promoted frequency of shopping

during the week as well as during the weekend. And we have been working on growing the number and the volume of services that we have in our stores, including the parcel pickup and return.

Finally, in terms of the third pillar of our value creation strategy, the digital offering, it was as a positive quarter on the back of 30% plus growth in sales, but also importantly, we've reached the important milestones with our rapid delivery business. In e-grocery we've been able to be operationally profitable and we've been able to achieve that on the base of increased demand, so the number of transactions, the number on a daily basis, but also increased basket size where we drove that. But by increasing the number of products for both Jush! and Delio offerings. In other parts of that business, so Maczfit. Maczfit has continued to grow, but through a number of different initiatives, including the launch and the adoption of new diet called Trio. Finally, in the digital part, we have also launched a new business.

It's a B2B service, it's, well, effectively retail media, which is branded Zabka ads, which is the targeted at B2B partners of ours, where effectively we're able to display commercials to customers inside of the stores and also passing in front of the stores, which are targeting those people with our B2B partners. These are early days for this service. We just launched it, but we plan to grow it in the coming quarters. And finally, last but not least, we are able to drive the profitability of the segment also by using and increasing the synergies between the different parts of our group. And with that, I'm going to pass the mic to Marta to give color on the financial front.

Marta:

Yeah, so we are pleased to report that our financial metrics continue to reflect the strength and resilience of our business model. I will share with you the most important highlights, starting with our key KPI, which is adjusted EBITDA. In the first quarter, our adjusted EBITDA grew to 1,119 million Polishzłoty, and the adjusted EBITDA margin was 14.9% of sales to end customers. It was 10 basis points above the third quarter of last year, showing our ability to increase scale while maintaining strong profitability. On the year-to-date basis, our adjusted EBITDA exceeded 2.5 billion Polish złoty and the margin was 12.3%. It grew by 26% year-on-year thanks to network development, strong trading results of all our stores across the network, normalized energy prices, as well as efficiencies implementation.

Looking ahead, we remain committed to delivering on our IPO profitability guidance. We are targeting improvement in our adjusted EBITDA margin towards the upper end of the 12-13% range in the medium term. And given our year-to-date results in full 2024, we continue to expect an accelerated pace of margin expansion within this target range.

Moving to the net profit, net profit was 319 million for the third quarter of this year and it was 377 million for year-to-date period and it was in line with our expectation and in line with the guidance shared in the prospectus. The dynamic year-on-year increase was supported by operating leverage, flat net interest costs, as well as declining tax rate. Given the seasonality of our sales and the seasonality of margins, and with depreciation and financial costs are being fixed throughout the year, a significant portion of net profit is generated in the second half of the year. And it is very visible when you compare the third quarter net profit with the year-to-date figures.

Moving to the sales to end customers. Our sales to end customers grew by an impressive 17% year-on-year in third quarter 2024 with new stores opening and like-for-like growth of 6%. Similarly, in the year-to-date period, our sales grew over 20% year-on-year on the back of expansion. Our network grew by nearly 1000 stores between October 2023 and September 2024, as well as like-for-like of 8.6%.

The third quarter like-for-like results are in line with our expectations, and given the seasonality of our sales and the year-to-date like-for-like being 8.6%, we remain confident in achieving our guidance being between 7.5 and 9% like-for-like growth for the full 2024. We had also, looking on the numbers, very strong cash flow generation in both the third quarter of 2024 as well as in year-to-date period. Our free

cash flow in nine months 2024, was 1.9 billion Polish złoty, more than double the free cash flow for nine months of 2023.

It was driven mostly by our increased scale and profitability as well as favorable movement in the working capital. This strong cash flow has enabled us to continue our deleveraging trend. We successfully lowered our net debt to EBIDTA ratio to 1.4 times EBIDTA as at the end of September, compared to 2.1 times EBIDTA as of the end of September 2023. The September leverage level is partially supported by seasonal effects. Therefore, we expect our leverage ratio to be slightly higher in December this year compared to the September level.

And now to dive in a little bit more into the numbers behind our strong performance. As I mentioned, in the third quarter, we managed to achieve sales-to-end customers of 7.5 billion Polish złoty, 17% growth versus the same period last year. Our third quarter like-for-like was 6% and it was evenly balanced between both volume and price. In line with previous month's trend, the highest like-for-like was achieved on our strategic categories including quick meal solutions and beverages.

In line with our expectation and in line with the guidance, like-for-like was impacted by high level, high base effect from improved customer sentiment in third quarter of 2023 compared to the first half of 2023, which was driven mostly by declining inflation and rising real income of Poles. It was also driven, impacted, by unseasonably warm weather in the third quarter of 2023, especially in contrast to this year when September was cold and rainy with floods in Southern Poland.

In terms of profitability, in third quarter, we achieved growth in both gross profit margin as well as adjusted EBIDTA margin. This improvement was driven by increased sales, better terms of trade with suppliers, lower energy prices, improved contribution from digital convenience offering, as well as the cost efficiencies. For 2024, we expect to deliver an adjusted EBIDTA margin, which will be above 2023. Third and fourth quarters are usually the best quarters of the years in terms of profitability. And this year in third quarter 2024, we anticipated achieving EBIDTA margin, which will be similar to the last year.

Moving to the net profit, we have doubled our net profit margin in year-to-date period year-on-year from 0.9% last year to 1.8% this year. And it was driven by our strong performance, flat interest rate costs, as well as the improvements in tax rate. Now moving to the EBIDTA bridge, for the year-to-date period, we achieved a strong adjusted EBIDTA growth of 26% year-on-year, reaching at EBIDTA, exceeding 2.5 billion Polish złoty for the first nine months of 2024. This growth is a testament to our continued momentum in sales and our strategic focus on margin and mix improvements, as well as their cost efficiencies. When you look on this graph, several key factors contributed to this performance. And I would like to mention three key today, which include sales growth, cost of sales and operating cost growth, and efficiencies.

So starting with the sales growth, as explained by Tomasz, we have seen a significant increase in sales ahead of the Polish market driven by both our successful stores expansion strategy and strong like-for-like supported by introduction of innovative product offering, expanding our product range, such as Żabka Cafe 2.0, and our focus on enhancing customer experience and using data to tailor the price and promo.

When we look on the cost of sales, we have made substantial progress in managing our cost of sales, benefiting from normalized energy prices, as well as improved operational efficiencies. For example, streamlining the processes in stores as well as in logistics. When you look on the operating costs of our main business, although we have seen an increase in these costs including our marketing G&A and technology expenses, this growth remains below the rate of sales growth positively impacting our adjusted EBIDTA margin.

More importantly, these cost investments align with our growth strategy. So our marketing campaigns have successfully boosted customer awareness of new QMS offerings while investment in the central and technology costs have supported our growth and the international expansion. Overall, in year-to-date period, we see very strong adjusted EBITDA growth of 26% ahead of our sales growth, which was 20% year-on-year. We had also very good cash flow generation. Our financial performance this year has been marked by robust cash flow conversion, which is a crucial indicator of our operational efficiency and financial health.

The key components of our cash flow performance are strong adjusted EBITDA post-rent growth exceeding 30%, which is above the adjusted EBITDA growth of 26%, which we've seen on the previous page. And this reflects our ability to manage the store's base and the rent costs effectively. A positive working capital movement, driven mostly by increasing scale of our business as well as the positive impact, was supported by reversal of working capital investment, which we have done in the last quarter of 2023.

The impact on cash flow had also our CAPEX, our capital expenditure for the third quarter was 407 million of Polish zloty and for the year-to-date period, the CAPEX exceeded 1 billion. We continue to exercise disciplined CAPEX control, focusing on strategic investments that support our growth initiatives, such as network development, store remodeling, and a launch of Zabka Cafe 2.0, development of our customer app, and our capacities in Romania.

Our cash flow was further supported by a sale and leaseback transaction of our store properties in third quarter of 2023 with the related proceeds, when you look on this chart, of 119 million Polish zloty. As a result of all these factors, our free cash flows for the third quarter was 647 million Polish zloty, and for the year-to-date period, 1.9 billion Polish zloty. This robust cash flow generation underscores our ability to fund our growth initiatives while maintaining financial flexibility.

It also goes hand in hand with our deleveraging strength, with our net leverage ratio, excluding losses at 1.4 times September 2024, down from 2.1 times EBITDA a year ago. While we continue to focus on deleveraging, we anticipate a temporary increase, as I mentioned, in this ratio in the fourth quarter due to the seasonal factors. However, our long-term commitment to reduce the leverage to less than one times EBITDA in the meter remains unchanged.

Overall, looking on the data, as you have seen in both third quarter 2024 as well as in the year-to-date period, we achieved strong results in terms of sales growth, in terms of profitability, and in terms of cash flows, and we remain confident in delivering the full year guidance. And with that, I will hand over to Tomasz for the concluding remarks.

Tomasz Suchanski:

Thank you, Marta. So to summarize our presentation, I would like to highlight the key conclusions from the third quarter of 2024 report. As expected and planned in the third quarter, Zabka continued to deliver very good financial and operational results. We achieved solid like-for-like growth with 6% in the seasonally important quarter of the year, and 8.6% for the whole nine months of '24. We improved profitability metrics, including the adjusted EBITDA margin and net profit margin, both in the third quarter and for the nine months, delivering strong cash flow generation and further debt reduction. In the third quarter, we continued to expand our store network, maintaining the expansion pace at about 1,100 stores per year and opened the first stores in Romania. We continue the dynamic implementation of the street food offering, installing Merrychef ovens in about 7,000 of our stores. In the third quarter, we also focused on further developing the digital offerings for customers, increasing sales by 31%, and launching a new retail media initiative. Thus, we maintained the like-for-like growth forecast for the entire year of 2024 in the range of 7.5-9%. According to our IPO guidelines, we confirm

that we aim to improve the adjusted EBITDA margin towards the upper end of the target range of 12-13% in the medium term.

So with that, thank you. And we invite you to ask questions. And I pass to moderator. Thank you.

Moderator:

Thank you. If you wish to ask a question, we ask that you please use the raised hand function at the bottom of your Zoom screen, or if you have dialed in, please press star nine. Our first question comes from Michal Potyra from UBS. Thank you. Michal, if you'd like to unmute yourself please and ask your question.

Michal Potyra:

All right, thank you. Good afternoon everyone. I have a few questions maybe. Thank you for the opportunity. Perhaps you could start with commenting on the like-for-like trends throughout the quarter. I'm really interested in the exit rate, please. So that would be question number one.

Then question number two, really like a technical one. If you could perhaps share on the 4Q '23 like-for-like number, please. I think should be around 10.8, but just making sure we have a base for the next quarter. And my third question would be around your pricing. You mentioned that price was pretty material part of your like-for-like. I guess that is against what we are hearing from a few other market participants. I know this is not so relevant, but I'm wondering if you benchmark your price against peers. So how is that price gap evolving year-to-date and is it any concern to you? Thank you.

Tomasz Suchanski:

Yes, so when you look at our like-for-like, we have two aspects of it. One is relative aspect, which is we compare ourselves to different companies. So in that part we are very good, I think, in the third quarter as well as in first and the second one. The second aspect is mathematics. So when we analyze our Q3 like-for-like, we have to understand what happened in Q3 '23 and Q4 '23. And, yes, Marta is looking now for the exact number of the Q3 '23. She will give you that number in a minute.

But we know that and we have to remember that the third quarter and fourth quarter was very good in Zabka in 2023 with a big uplift comparing to the first quarter and second quarter. So when we compare these two figures, we have to remember that. So when we look at our like-for-like in the third quarter, we are pleased. And sales, we are very pleased with that. We have to remember that the base was different.

Would you like to add anything?

Marta:

Yeah, so in terms of like-for-like for the third quarter in 2023, it was 12.7%. And when you compare it to this year like-for-like, it is very important to remember that there was a significantly higher inflation in the third quarter of 2023 compared to this year. It was for us but also for the entire market.

In terms of the structure of our like-for-like for the third quarter of this year, in 2024, we said that the like-for-like was evenly balanced between price and volume. This year we see significant growth in volume sold and it was driven by increasing number of customers visiting our stores, but also the loyalty of our customers. And we see also positive impact coming from inflation when we said that it is evenly balanced.

When you look on our price compared to the competitors, there is a price gap, and we can say that the price gap has not significantly changed between when you compare this quarter to the previous quarters.

Tomasz Blicharski:

Yeah, maybe I'll add a few words here as well. Remember there's just a 30% SKU overlap with some, for example, discounters on the market. So there is no direct comparison of prices. Having said that, for these comparable SKUs it's fairly stable. And also your question was around how did like-for-like evolve during the Q3, and we see a lot of stability there. I would say there hasn't been peaks and valleys. Each month were relatively close to each other.

Michal Potyra:

Okay. Thank you very much.

Moderator:

Thank you. Our next question comes from Jonathan Bensoussan from Point72. Thank you.

Jonathan Bensoussan:

Hi, everyone, and thanks for the presentation and for the good results. I guess on the same vein of question than the previous question, can you talk about Q4 like-for-like? Just trying to understand, you had mentioned that unusually high good weather impacted Q3 like-for-like on the comparison. I guess there was not good weather maybe in Q4 last year. Just trying to understand, are you facing a strong base again for the upcoming like-for-like for this year? I understand, yeah, you reconfirmed the full year guidance, but just trying to understand if there's any one-off that we should be thinking when thinking about the next like-for-like. Thank you.

Tomasz Suchanski:

Yeah, as you know, we cannot comment on Q4 this year. We can comment on Q4 last year, it was 10.6%. The weather was not very different to the normal weather for this period, in opposite to Q3 and especially September last year. So I wouldn't count on any big differences to what we will have this year. What we can say is that with 8.6% of like-for-like for the first nine months for 2024, we continue with the guideline for whole year between 7.5-9%.

Jonathan Bensoussan:

Perfect. Thank you so much.

Tomasz Suchanski:

Thank you.

Moderator:

Thank you. Our next question comes from Marco Spinar from Neuberger Berman. Thank you.

Marco Spinar:

Hey, thanks for the call. I just wanted to clarify two things. One is just on working capital. There was such an improvement this quarter versus last year, and I just want to know how unusual this quarter's working capital gain was and what we might see in the fourth quarter. That's one question.

And the second question was just on the margins. I thought the best operating margins were in the second and third quarter, whereas the first and fourth were the weakest. But it sounds like, I thought, you were saying that it's H2 that has the best margins, which would suggest that Q4 margins should also be pretty strong. Can you just clarify the seasonality impact on margins?

Marta:

Yeah, yeah, absolutely. So let me start with the working capital movements. So when you look on our working capital in the third quarter of 2024, the movement is quite similar with what was for the third quarter of 2023. In the beginning of this year, we had a little bit more inflow coming from working capital, especially in the first quarter of 2024.

And there were two reasons for that. First of all, we had the calendar effect. So the last day of 2023 was Sunday and therefore we had higher receivables from our franchisees. Usually the receivables from our franchisee represent just one day sales. But whenever we have the last day of a month or for a year on Sunday, we have the receivables representing approximately three days because the Friday, Saturday, and Sunday.

So we had higher receivables at the end of 2023 and we got the cash in the beginning of 2024. It was almost 200 million Polish zloty, which are like inflow in the beginning of the year. The second reason for the increased movement in working capital in the beginning of the year was our investment in terms of trade with suppliers which we've done in the last month of 2023.

So these two aspects were unusual and they are not going to be recurring. But usually what we can see, given that we have the negative working capital profile, is that with increasing scale of our business, new openings, and increasing sales, we usually see the release of cash from working capital given our cash conversion cycle. So this was in terms of the working capital.

And in terms of the profitability, yes, when you look on the EBITDA margin for the first half of the year, it was 10%. The margin for the third quarter was significantly better. And the margin of the fourth quarter is usually quite similar, not very different, from the margin generated in the third quarter. So we indeed expect the margin will be significantly higher in the last quarter this year, comparing to the first half of the year. And this is driven by the seasonality of our business. We expect, as I mentioned, that the margin for the fourth quarter this year will be close to the margin, which we generated in the fourth quarter last year.

So therefore we can--

Marco Spinar:

The last... Okay. I'm sorry.

Marta:

Yeah, yeah.

Marco Spinar:

I'm sorry, the margin will be similar to the margin of last year or similar to the margin of Q3?

Marta:

Yeah, when you calculate the margin for the fourth quarter of 2023, it was 14.3%. And when you look on the third quarter margin, it's a little bit higher. So it will be similar to the margin for fourth quarter of 2023.

Marco Spinar:

Perfect. Thank you.

Moderator:

Thank you. Our next question comes from Elena Jouronova from J.P. Morgan. Thank you.

Elena Jouronova:

Hi everyone, and congrats with very good results. Several questions, please. First and foremost, maybe on the like-for-like, is it possible to share what was the like-for-like sales growth of the QMS category stand-alone in Q3 or maybe what kind of impact it had on the overall 6% like-for-like?

Tomasz Suchanski:

We are not disclosing that information, but what we can say is what we've been telling you, I remember at the last meeting, that QMS has normally bigger like-for-like than the other categories and it has an impact on overall like-for-like of the company.

Elena:

All right. Then in terms of the like-for-like, again, I believe Michal was asking a question about how your like-for-like progressed during Q3, and September specifically is the month we're all wondering about. Did you see a significant slowdown in the like-for-like in September or it really was very evenly spread? Maybe I missed the previous comment. And also did you have a positive calendar effect in September this year because of an additional Sunday during the month?

Tomasz Blicharski:

At the end I've added and answered that question of Michal. I'll repeat. There hasn't been major differences between the like-for-likes in each of these last few months. So therefore the variance within the quarter wasn't big. There were some variance, but I wouldn't call it significant, between the best and the worst month. In terms of the calendar effect, it's difficult to answer that without looking at the calendar, to be honest. So we would have to-

Elena:

But conceptually, is this something important for you in months when there is one additional Sunday or [inaudible 00:40:15]-

Tomasz Blicharski:

You wouldn't have a big impact on like-for-like. I mean, the difference between the days is not that big to matter.

Tomasz Suchanski:

Only with the things like May holidays, the long weekends, if they are coming in the different days, that could have an impact. In September we didn't see anything like that.

Elena:

Okay, that's clear. And the final one I had was on the Sunday trading ban. We know that this legislation is potentially up for revision, but I haven't seen anything in the news flow recently. Has there been any developments about potential change to the Sunday trading ban regulation? And the related question is, can you please remind us, at the time when the ban was implemented, what positive effect on the business like-for-like did you see?

Tomasz Suchanski:

Actually, Elena, from the last meeting, there was not big developments of the situation in Poland considering a Sunday ban. I would say it's difficult to find the party that really wants that change. Surely unions doesn't want it. Society actually in the majority, they don't want it. The society don't want it. The same with the companies. I mean, many of the companies on the market, they just changed operationally and they're working with that and they're not pushing that a lot. So we don't think that this is something that will change in the near future.

But answering your second question, which is quite important and relative to that first one, is in 2019 when the law was introduced, there was a change or shift of sales between days. So other operators on the market like discounters, they move the sales with the big campaigns and communication to customers from Sunday to Friday and Saturday. And actually we felt that as a company. We experienced that movement from Friday and Saturday to Sunday as we could be open because of the franchisee being in front of the store. So actually there was not a big, or I would say even zero impact, positive impact on our sales. So we strongly believe that if the law will be reversed and there will be a change in law also the sales will move from Sunday that time, from Friday and Saturday in the discounters to Sundays, and from our Sundays to Friday and Saturday. So also the impact will be quite null. Would you like to add something to that?

Tomasz Blicharski:

No, no, I think that's fair. I mean, there is always some adjustment, right? These changes that Tomasz described were not automatic. It took a few months, but overall, yeah.

Elena:

All right. Thank you. That is very clear.

Moderator:

Thank you. Our next question comes from Michal Potyra from UBS. If you'd like to unmute your line and ask your question. Thank you.

Michal Potyra:

Hi, thank you. Let me have two follow-up questions, please, kind of technical one. One is concerning your full year guidance. In the prospectus you mentioned that you expect EBITDA break even for your new businesses for the full year. It seems after nine months, it's still negative EBITDA. So is it still your expectation that we should see around zero EBITDA for those business lines? That's the first question and the second question, just again a technical one, I just wonder if your refinancing of the debt is completed by now. Thank you.

Marta:

Michal, thank you for the questions. Starting with the first one, in terms of EBITDA, we are certain that we will achieve the break even of our digital convenience offering businesses this year in line with the guidance we shared during the IPO. What is visible currently in the new growth engine within the financial statement when you look on the segment numbers is the digital convenience offering as well as the new international business, so Romanian business.

And given that we invest in this business, especially in the third quarter of 2024, you see probably the improvement which is below your expectation, but it is driven by investment in Romania and in the same time improvement of our profitability of digital convenience offering, which is in line with our expectation. In terms of refinancing we are in the process and we are expected to complete the process with all the banks, with the entire syndicate by the end of November/early December, in terms of contracts assigned.

Michal Potyra:

That is clear. Thank you.

Marta:

Thank you.

Moderator:

Thank you. Our next question comes from Janusz Pieta from Mbank. Thank you. If you'd like to unmute your line and ask your question.

Janusz Pieta:

Hi. Thank you for taking my question. I've got some technical one regarding the impact of energy normalization, energy price normalization on EBITDA margin in Q3. Could you disclose this number as well as some maybe more precise number of your internal inflation contribution to like-for-like growth in Q3? And maybe regarding like-for-like, as you said that there was some negative impact coming from the base effect in Q3 regarding the weather. Bearing that in mind, should we expect the like-for-like in Q4 to be slightly ahead of Q3 figures? Thanks.

Marta:

Thank you, Janusz, for those questions. Starting with the energy question. When you look on our data, profit and loss, especially bridge which we share with you, it is visible that energy had impact on our profitability in both the first half of the year as well as the third quarter. Given the dynamics of the energy prices over the last twelve months, or even starting from the second half of 2023, you have seen that the energy prices started in Poland to decline in the second half of last year. So the positive impact which we had on profit and loss was more prominent in the first half of this year compared to then in the third quarter of this year. And similarly, for the fourth quarter of this year, we expect the impact which will be similar to that which we had in the third quarter, rather than in the first half of the year.

What is also important is that given the current expectation of the energy prices in Poland, which are based on the external forecasts, for example, Aurora forecasts, and given that we have most of our energy already hedged for 2025 based on a virtual PPA or based on the forward contract, we expect that there should be not significant change in the energy prices in 2025 compared to 2024. So there should be no significant interest in the prices and we will not have the significant impact on the profit and loss in 2025 coming from that.

In terms of like-for-like, we said that for the third quarter we had the like-for-like which was evenly balanced between price and volume, which means that we have seen both a healthy mix coming from the volume and price. It is what we can share. And in terms of the guidance, as Tomasz said, we believe that 7.5 to 9% is the like-for-like which will be delivered for the whole year.

Moderator:

Thank you. We have no further questions.

Tomasz Suchanski:

Thank you very much for that meeting and we hope to see you again in more or less three months or so. Thank you. See you.

Marta:

Thank you.

Tomasz Suchanski:

Bye-bye.

Tomasz Blicharski:

Bye.