

Dia. Time to take action

September 2024

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You agree to do your own research and due diligence before making any investment decision with respect to the shares in DIA. You represent to WG that you have sufficient investment sophistication to critically assess the information, analysis, and opinions in this Report.

WG has shared the main conclusions of the Information with the management and certain members of the Board of Directors of DIA in several instances.

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CONFLICTS OF INTEREST

WG owns, as at 3 September 2024, 1,294,832,961 shares in DIA, representing approximately 2.2% of the share capital of the Company; this stake might be increased or reduced in the future and WG assumes no obligation to disclose any of such change in its shareholdings except as required by applicable law. In addition, other shareholders of DIA who have joined the Coalition own shares in DIA. Consequently, the members of the Coalition hold long positions in the shares of DIA and therefore have a positive financial exposure to increases in the stock price of the Company. Nevertheless, WG has made all reasonable efforts to present the Information in an objective manner.

NO CONCERTATION OR ARRANGEMENT TO VOTE

All DIA shareholders who join the Coalition will be absolutely free to cast the votes attached to their shares in DIA as they wish, without any kind of instruction from, or obligation to vote as indicated by, WG. Any member of the Coalition who ceases to own shares in DIA must communicate so to WG through this website as soon as reasonably practicable, as the main purpose of the Coalition is to serve as a discussion forum among minority shareholders of DIA.

By having access to this piece of Information, you are deemed to have accepted the content of this notice in its entirety.



The Coalition, led by Western Gate

Since 2019, DIA's Board of Directors has repeatedly been urged to engage with the market more effectively to raise awareness of DIA's improving performance and draw investors' attention to the Company's relative undervaluation versus its peers.

Our requests have been ignored, and it is now time for minority shareholders to take a more proactive stance towards DIA. We invite shareholders to join the Coalition and together demand change.

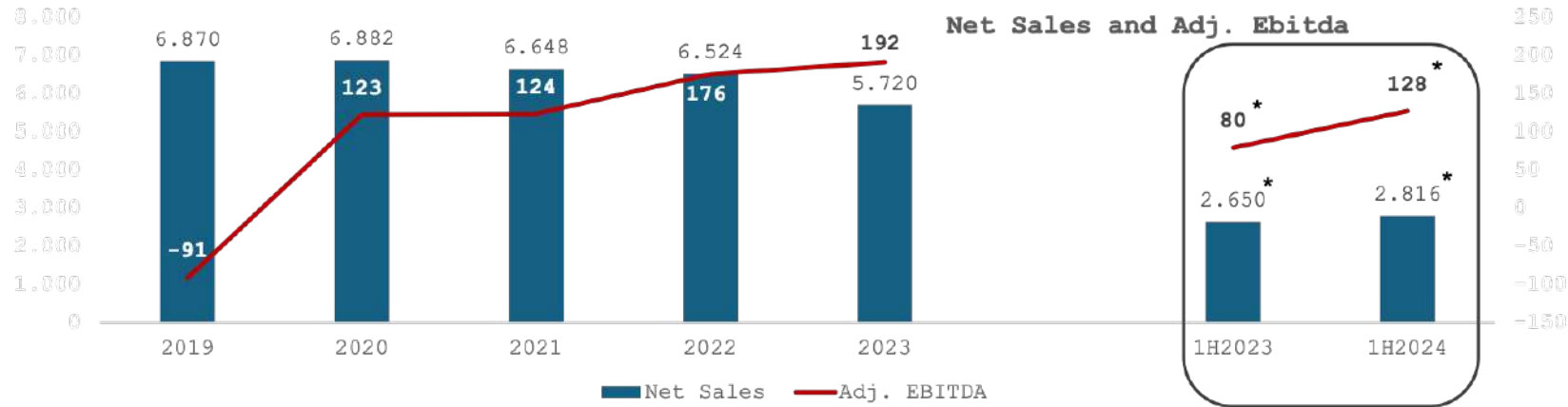
The Coalition's objective is to enhance transparency, hold DIA's management and its Board of Directors accountable and advocate for the protection of minority shareholders.

DIA Today: A clean portfolio, ready to grow

After a transformation process, DIA has **focused on its core business** of convenience stores in Spain and Argentina, and **disposed of underperforming assets**.

DIA is now **converging with its peers in terms of margin**, which coupled with a stronger balance sheet, should enable the Company to **initiate a new growth chapter**.

It has gone through 4 disposals over the last 2 years: 1) Sale of Large Format Stores for 267M eur; 2) Sale of Clarel for 11.5M eur; 3) Sale of DIA Portugal for 155M eur; and 4) Sale of DIA Brazil for a nominal value (including certain funding commitments).



% Adj Ebitda	-1.32%	1.79%	1.87%	2.70%	3.35%	3.0%	4.5%
Net Debt/Ebitda	-14.6x	10.4x	3.3x	3.1x	2.2x	2.0x	1.1x

* Data restated as a result of classification of discontinued operations of the Brazil business

DIA is improving as a business, but its valuation is not

Business Simplification

Sold non-core assets like Clarel, large-format food retail stores in Spain, and the Portuguese business.

Exited Brazilian market.

Reduced exposure to Argentina due to FX devaluation.

Focus on Proximity Retail Model

Deep restructuring in Spain, focusing on proximity retail (80% of sales).

Competitive advantages leading to recent market share gains.

In Argentina, positioned as a long-term value option.

Profitability Improvement

Expected EBITDA margin convergence with Mercadona at levels of 5.5-6%.

Expected profits mainly from Spain in 2024, with Argentina breaking even.

Restructured balance sheet, with net debt to EBITDA at a manageable level of 2X in 2023.

Store Network Transformation

Completed transformation with store closures, openings, and refurbishments.

Roll out of new franchise model from 38% of network to 64% confirming an asset light model

LFL sales growth of 10.7% in 2023 and 6.3% in 1Q24, in line with food inflation in Spain.

Product Offering Improvement

Renewed DIA brand products and improved quality.

Increased share of DIA brand to 57.5%.

Rising customer satisfaction and loyalty, with online sales accounting for 3.5% of total.

Despite all the positive steps in de-risking the portfolio and boosting the profitability in Spain, the share price remains at historical lows.

Concern #1: Experts see a lot of value that is not reflected in the share price

Research houses' valuations underpin that the stock price does not reflect the Company's intrinsic value

Key Forecasts	2023a	House 1		House 2	
		2024e	2025e	2024e	2025e
Revenue	5,720	5,461	5,733	5,080	5,133
EBITDA	257	301	488	279	371
Margin	4.49%	5.50%	8.50%	5.49%	7.23%
Adj. EBITDA	192	281	311	219	264
Margin	3.35%	5.15%	5.42%	4.31%	5.14%
Pre IFRS 16 Net Debt/Ebitda	2.16x	n/a	n/a	1.80x	1.10x
Net Debt/Ebitda	3.90x	2.30x	1.30x	n/a	n/a

Peer Comparison	EV/EBITDA		EV/Sales		EBITDA Margin	
	2024e	2025e	2024e	2025e	2024e	2025e
Carrefour	3.9x	3.7x	0.3x	0.3x	5.6%	5.8%
Ahold Delhaize NV	6.0x	5.6x	0.5x	0.5x	7.9%	8.0%
Casino	7.5x	7.3x	0.7x	1.0x	10.8%	9.9%
Tesco	7.0x	6.9x	0.5x	0.5x	6.7%	6.6%
Metro	3.9x	3.6x	0.2x	0.2x	3.7%	3.9%
Sainsbury	5.4x	5.2x	0.3x	0.3x	6.7%	6.8%
Sonae	5.3x	4.9x	0.5x	0.4x	9.1%	9.2%
Migros	4.5x	3.3x	0.3x	0.2x	7.0%	6.9%
Average Europe	6.2x	5.9x	0.5x	0.5x	7.0%	7.1%
BIM	12.9x	8.8x	0.8x	0.6x	7.7%	7.7%
Jeronimo Martins	5.5x	4.9x	0.4x	0.4x	6.8%	6.9%
Colruyt	6.5x	6.1x	0.5x	0.5x	7.7%	7.7%
Average Em Europe	10.1x	7.5x	0.6x	0.6x	7.6%	7.6%
DIA	4.8x	2.8x	0.3x	0.2x	5.2%	5.4%

Research 1 Valuation

House 1 uses Sum Of The Parts method:

- Spain: 2,146M eur (EV/Sales 0.5x)
- Argentina: 324M eur (EV/Sales 0.25x)

This gives a total Enterprise Value of 2,469M eur and a corresponding Equity Value of 2,263M eur leaving the per share value at 0.039 eur before a liquidity discount. This represents an upside of 200%. Post liquidity discount the share price would amount to 0.031 eur

Research 2 Valuation (not yet updated with H1 Results)

Uses a DCF model with a WACC of 9% and a terminal growth rate of 1%. This method results in a value per share equal to 0.021 eur. This represents an upside of 60%.

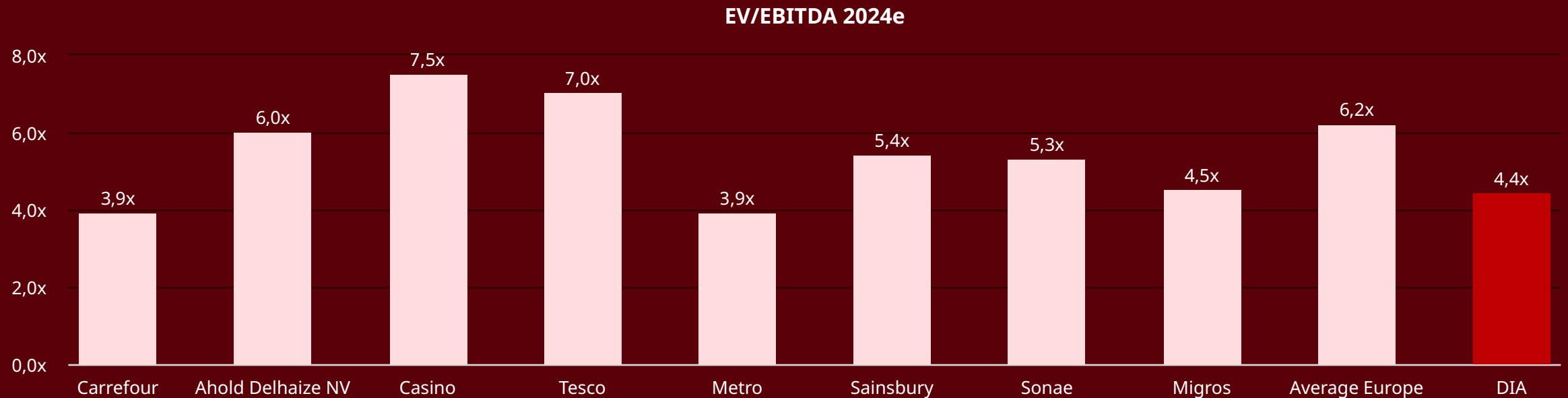
Peer Valuation

The peer averages in Europe in the table on the left we can also very easily show that DIA is extremely undervalued and has significant growth potential. DIA is lagging significantly when it comes to multiples.

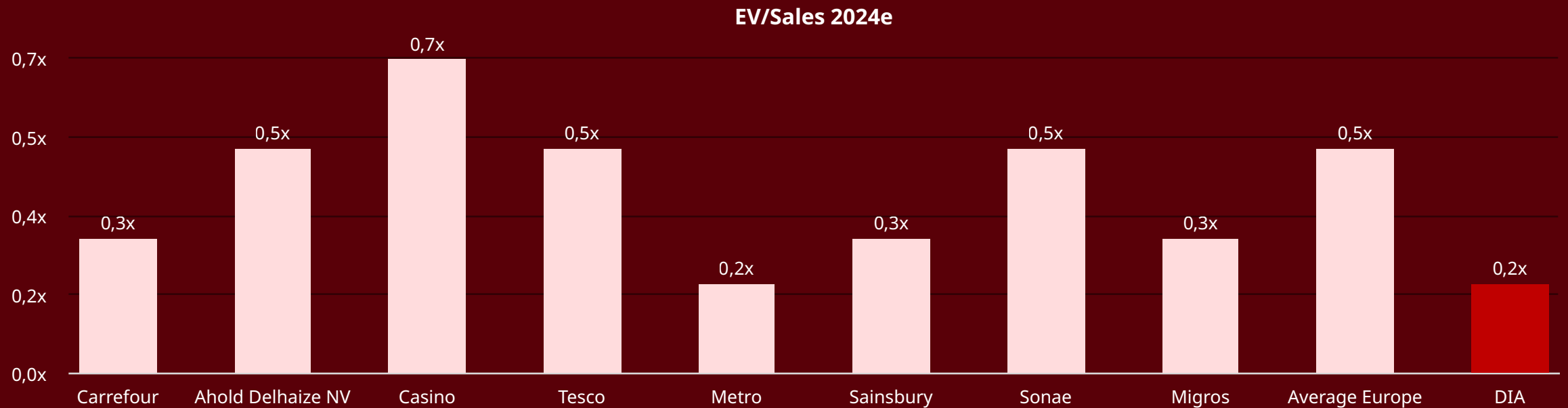
**Price Target range from Independent Research houses:
0.021 – 0.031**

Concern #1: DIA trades at a discount to the majority of its peers

Despite recent operational and financial improvements, DIA is significantly undervalued compared to its peers.



Concern #1: DIA's EV/Sales is low compared to its peers



Concern #1: DIA's share price is trading near an all-time low

The share price continues to fall even as the Company significantly improves results. We believe this shows that DIA is not effectively engaging with the market or making efforts to show that the Company is undervalued



Stock Price performance since the last capital increase is -35%.



Concern #2: Dilutive capital increases...

There have been 3 attempts to delist the Company. We see the Capital Increases as attempts to delist due to the extremely dilutive conditions:

1. The Voluntary Tender Offer (2019)
2. 1st Capital Increase of 605M euros (2019)
3. 2nd Capital Increase of 1,028M euros (2021)

The severe and dilutive nature of these capital increases was detrimental to any shareholders that were not able to subscribe, thus showing DIA's lack of care for its minority shareholders

In 2022, key shareholders of LetterOne were sanctioned due to the war in Ukraine, resulting in an even larger shadow being cast over already uncertain and opaque governance

In 2023, minority shareholder Western Gate was led to believe its owner Luis Amaral was being considered for a Board seat, however it became clear that DIA's Board and LetterOne never had any intention of including him on the Board

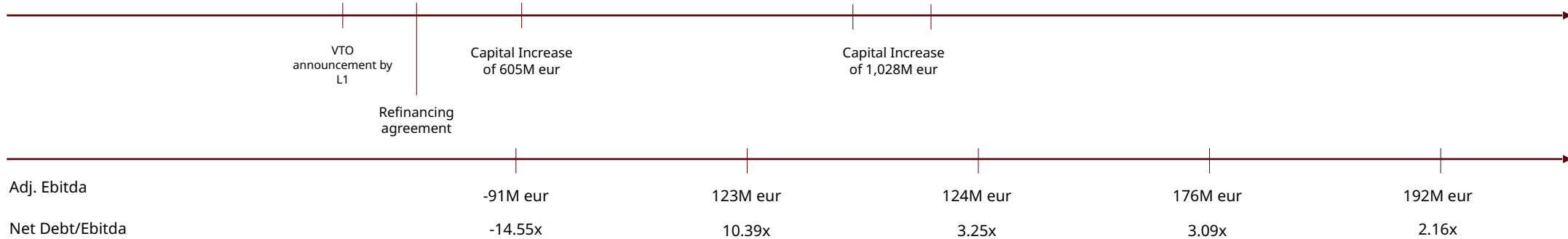
Concern #2: ...have destroyed value for minority shareholders

Recent capital increases = material dilution for those not able to subscribe

Market Cap Evolution



Timeline



Concern #3: Shareholders' voices remain unheard and the Board lacks essential capabilities

Shareholders have formally expressed concerns to the Board regarding governance, transparency, and advocating for the protection of all stakeholders; and all those views have been disregarded. In addition, DIA's Board lacks certain essential capabilities:

- For years, Western Gate and other minority shareholders have expressed their concerns about the lack of transparency and engagement with the investor community. DIA's Board has continuously disregarded their views and appears to act only in the interest of the majority shareholder
- For that, it is crucial that a director representing the interests of the minority shareholders is appointed. Current Board members' interests are not aligned with those of minority shareholders. In June 2023, DIA considered the appointment of a director that would represent the interest of minority shareholders; however, this appointment has not materialised, and it has become clear that there was no genuine intention to follow through
- In addition, the Board lacks certain capabilities that are essential for DIA's business:
 - DIA's current Board has only two members with experience in retail, and no Board member has worked in the food retail sector for more than ten years.
 - None of the Board members have any experience in proximity food retail in Europe, which is DIA's principal business model.

Our Alternative Pathway: Give minority shareholders a voice and spread the word

By forming a coalition, we aim to persuade the Board of Directors to act in the interest of all stakeholders and promote DIA's turnaround to the wider market.

We urge DIA to:

- Appoint a minority shareholder representative to the Board with relevant, recent sector experience.
- Properly incentivise the Board and the management, so that their total compensation is aligned with share price performance.
- Undertake a comprehensive marketing programme to improve its level of engagement with investors
- Build positive momentum for the Company's future

What we have done so far

Consistently urged the company to engage with the market and analysts to raise its profile

Publish for informative purposes our view on the capital increases and carried out certain actions for the benefit of DIA and the minority shareholders

- During the VTO – we contested the offer price and lodged an appeal with the CNMV.
- At the 2021 capital increase – we shared our opinion on the highly dilutive nature of the conditions and emphasized that Western Gate was going to subscribe the rights issue as it was, in its view, its only chance of recouping investment.

What the Coalition will do

Raise awareness and build, based on its fundamentals, positive momentum around DIA and its upward trajectory

Prove how materially undervalued the stock currently is

Encourage DIA to undertake a comprehensive marketing programme to improve engagement with the market

Thank you

Appendix

Timeline of key events

October 2018 – DIA announced a profit warning and restructuring plan, causing the share price to plummet by 80%.

March 2019 – L1 announced a VTO at a price lower than its average and by May 2019 it became the reference shareholder with a 69.8% stake.

June 2019 – A Refinancing Agreement was reached with lenders.

July 2019 – Payment was made to bondholders.

October 2019 – An EGM approved a capital increase of 605M euros at a subscription price of 0.1 euros (a significant discount to the trading price at the time - 60%).

November 2019 – The capital increase was completed, and L1 increased its stake to 74.8%.

August 2020 – L1 announced a tender offer on the 2021 and 2023 Notes.

March 2021 – DIA announced a new capital increase of 1,028M euros, of which 769M euros would be through the conversion of financial debt and 259M euros with cash.

April 2021 – DIA announced the price for the capital increase at 0.02 euro, again around an 80% discount to the 3MWAP.

August 2021 – The closing of the capital increase occurred, and L1 increased its position to 74.8%. Additionally, L1 bought a further 3% on the market, bringing its total to 77.8%.

March 2022 – Shareholders of L1 were sanctioned.

March 2022 – DIA announced sale of 235 large format stores for 267M euros. Transaction closed on 2 March 2023.

August 2023 – DIA announced sale of Portuguese business for 155M euros. Transaction closed on 30 April 2024.

December 2023 – DIA announced sale of Clarel for 11.5M euros. Transaction closed on 1 April 2024.

May 2023 – DIA announced sale of Brazil with a total negative cash impact of 74M euros. Transaction closed on 25 June 2024

Market value fails to recognise improved fundamentals



Before the announcement of the first capital increase in October 2019, DIA's market cap stood at 307M euros. With the total value of capital increases amounting to 1,633M euros since then, a simple calculation suggests that the market value should be around 1,940M euros. However, the actual market cap is only 749M euros, indicating a depreciation in value of approximately 61%.

Given the consistent improvement in operational and financial performance, we believe that the significant decline in market value is unwarranted.

In our view, this decline can largely be attributed to the poor communication efforts from DIA and its Investor Relations team regarding the company's value. In addition, L1's large stake in the company prevent shares to have enough liquidity

DIA had a duty to undertake this effort, particularly in light of the uncertainties stemming from the sanctions and the lack of clarity on governance and objectives.

Timeline to turn the page

1. Historical Incompetence

In October 2018, DIA issued a profit warning which triggered a series of events over the next 3.5 years. At this time, it became evident that DIA was being poorly managed which was resulting in poor operational and financial performance.

2. Ongoing Governance Concerns

Effectively two further delisting attempts followed the Voluntary Tender Offer, high turnover of both Management Board and Board of Directors, sanctioned shareholders and a general lack of transparency kept DIA under a cloud of uncertainty.

3. Revolutionising Operations: Driving Efficiency

DIA has gone through a significant transformation over the last few years and is finally in a position of strength to grow.

4. Unlocking Value: Strategic Asset Disposals

As part of the transformation, DIA has/is disposing of all non-core assets and loss-making businesses.

5. Building for the Future: Achieving Solid & Sustainable Growth

DIA is showing strong growth prospects in the top and bottom line, and is converging on its competitors.

6. Value Destruction Despite Operational and Financial Improvements

Over the past few years, there has been severe value destruction, notably since August 2021 (the last capital increase), during which time the share price has fallen by approximately 35%, despite operational and financial improvements by the company.

7. A New "DIA"

In our view, DIA is significantly undervalued, with a clear path forward and promising prospects ahead.

8. The Opportunity: Time to Capitalise

It is now time to take matters into our own hands and tell the story of DIA.

