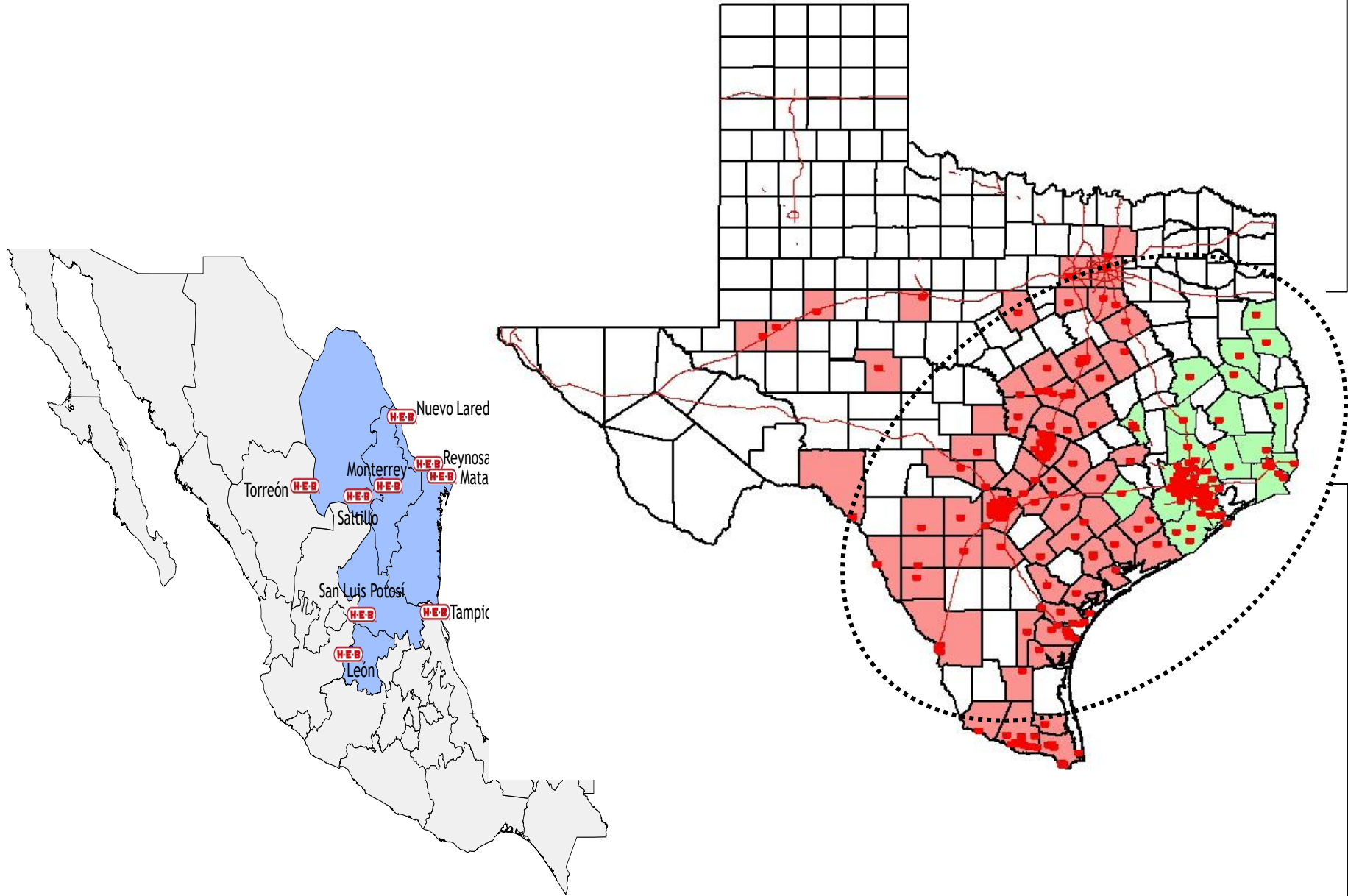




HEB Overview

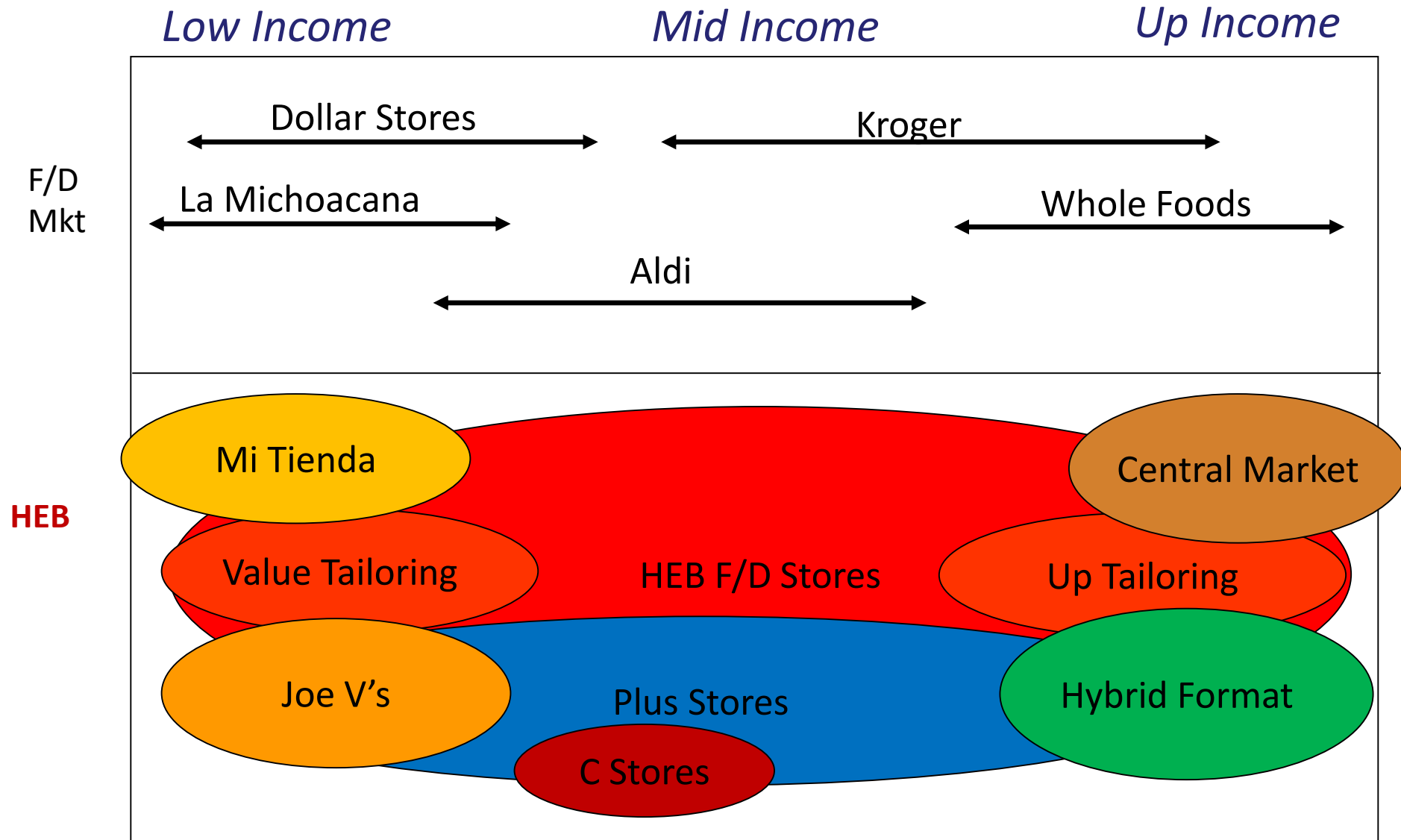
- \$26B total sales
- 12th largest private company in the US
- One of the 20 largest retailers in the country, bigger than Starbucks
- Almost 400 stores in Texas and Mexico
- 13 Manufacturing plants and 5 DC campuses
- 109,000 Partners and the largest private employer in TX
- 95% retention of department managers and store leaders
- Great partners and leadership in every store is the most critical part of our business

HEB Market – Texas & Mexico



We Are Committed to Serving Everyone in TX

Tailored, Multi-Format



HEB Mission & Purpose

At HEB, we seek to be the best retailer we can be, so that we can:

1. Invest in our partners' pay, benefits and careers to help our partners take care of their families
2. Invest in our customers through the lowest possible prices and best products to help Texas families
3. Invest in the communities we serve and help our communities be the best places to live

*We are **working together to make life better** for our partners, our customers and our communities.*

Investing in and Valuing the Importance of Our 109k Partners



**One of the Best
Companies to
Work for in the
Country**

Forbes

**2018 Americas
Best Employers**



**The #1 Most
Trusted Company
in the Country**



**Best Perceived
Brand by
Millennials**



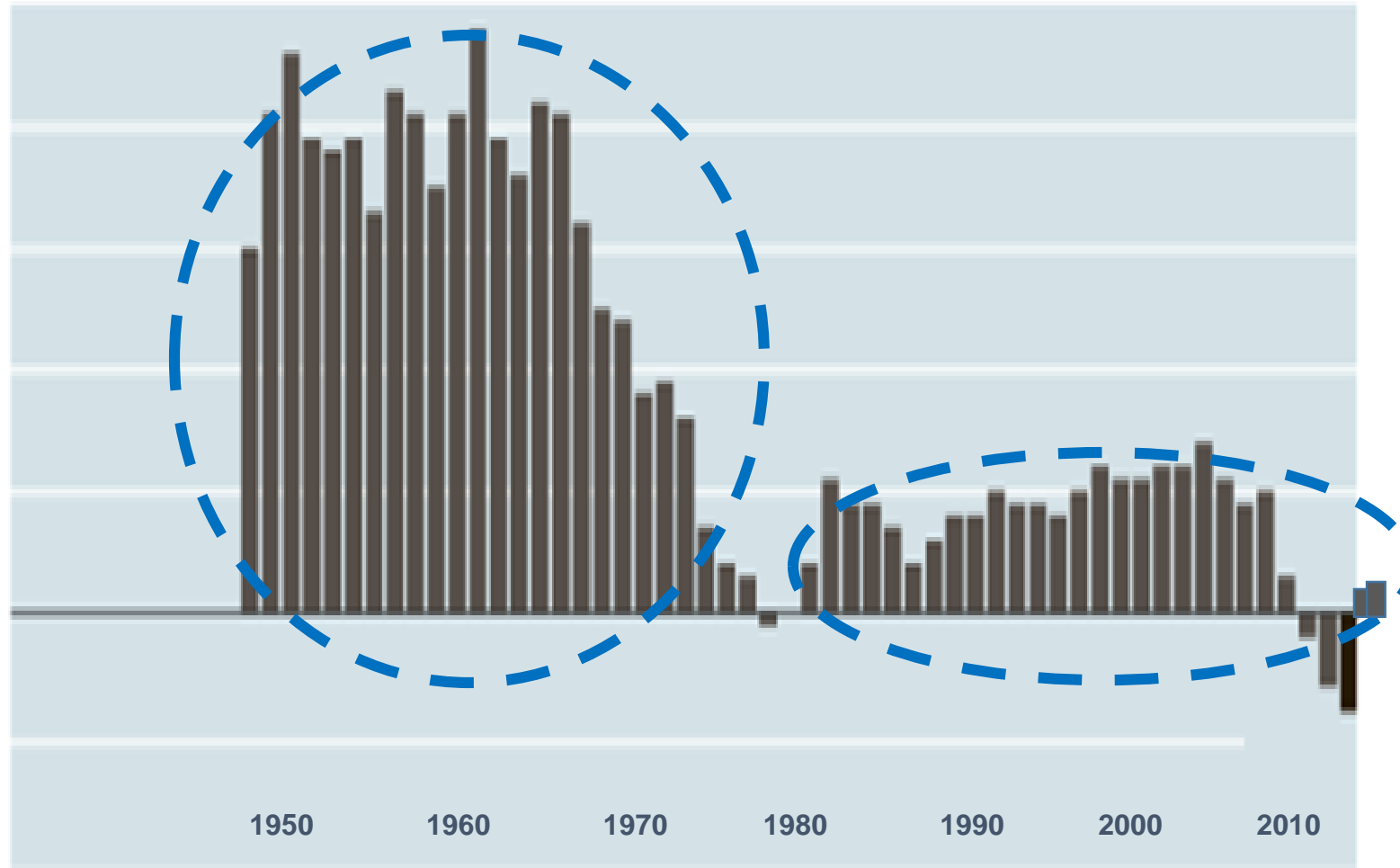
**Top 10 Best
Companies in the
Country for Pay &
Benefits**

Hurricane Harvey Kingwood

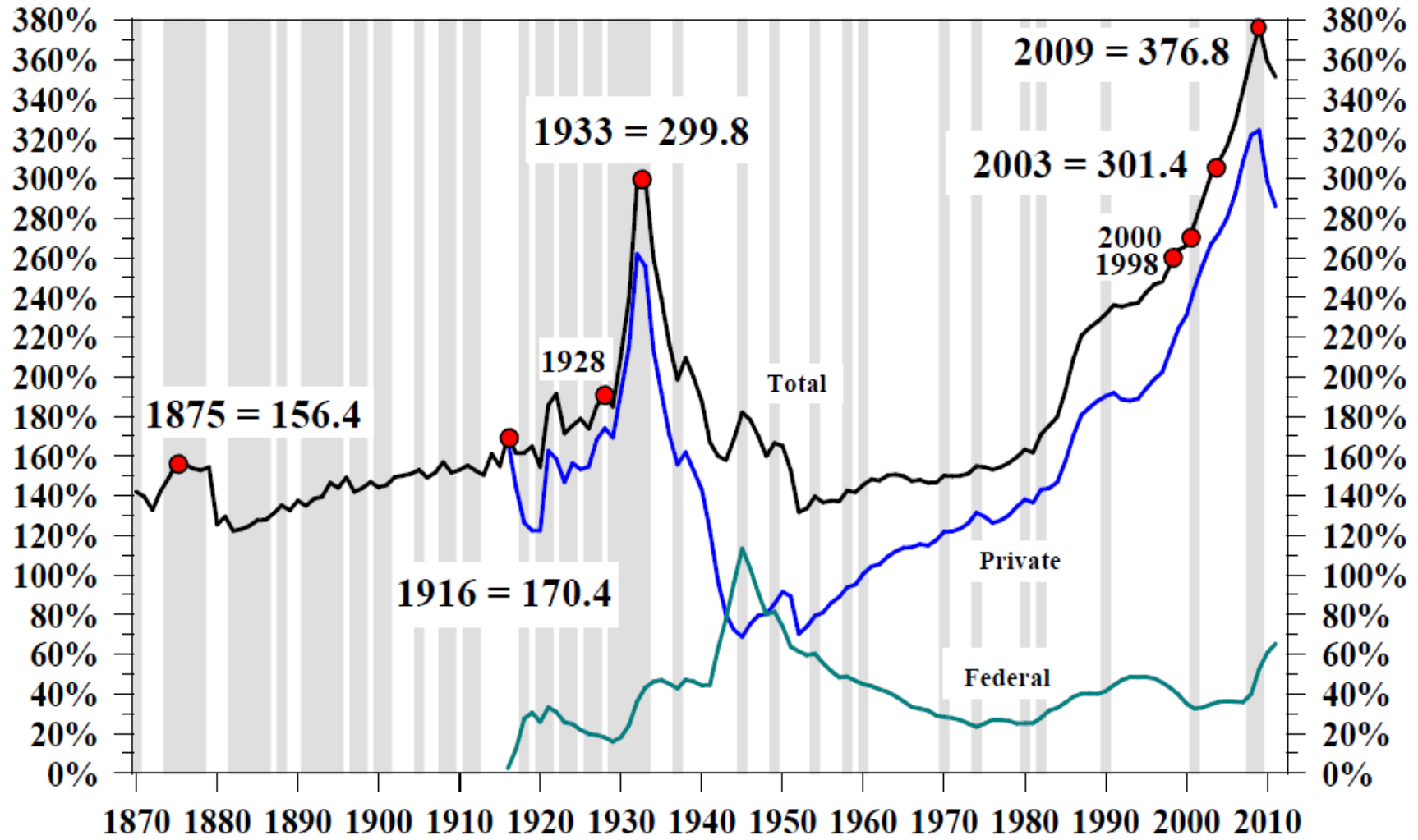


US Median HH Income

Real Wage Growth on a Rolling 10 Year Basis



US Debt to GDP



Sources: Bureau of Economic Analysis, Federal Reserve, Census Bureau: Historical Statistics of the United States Colonial Times to 1970. Through Q2 2011. Last plot Q2 2011.

Significant Macroeconomic Concern

Aggregate Demand

HH Debt

1945 – 1975

1975 – 2008

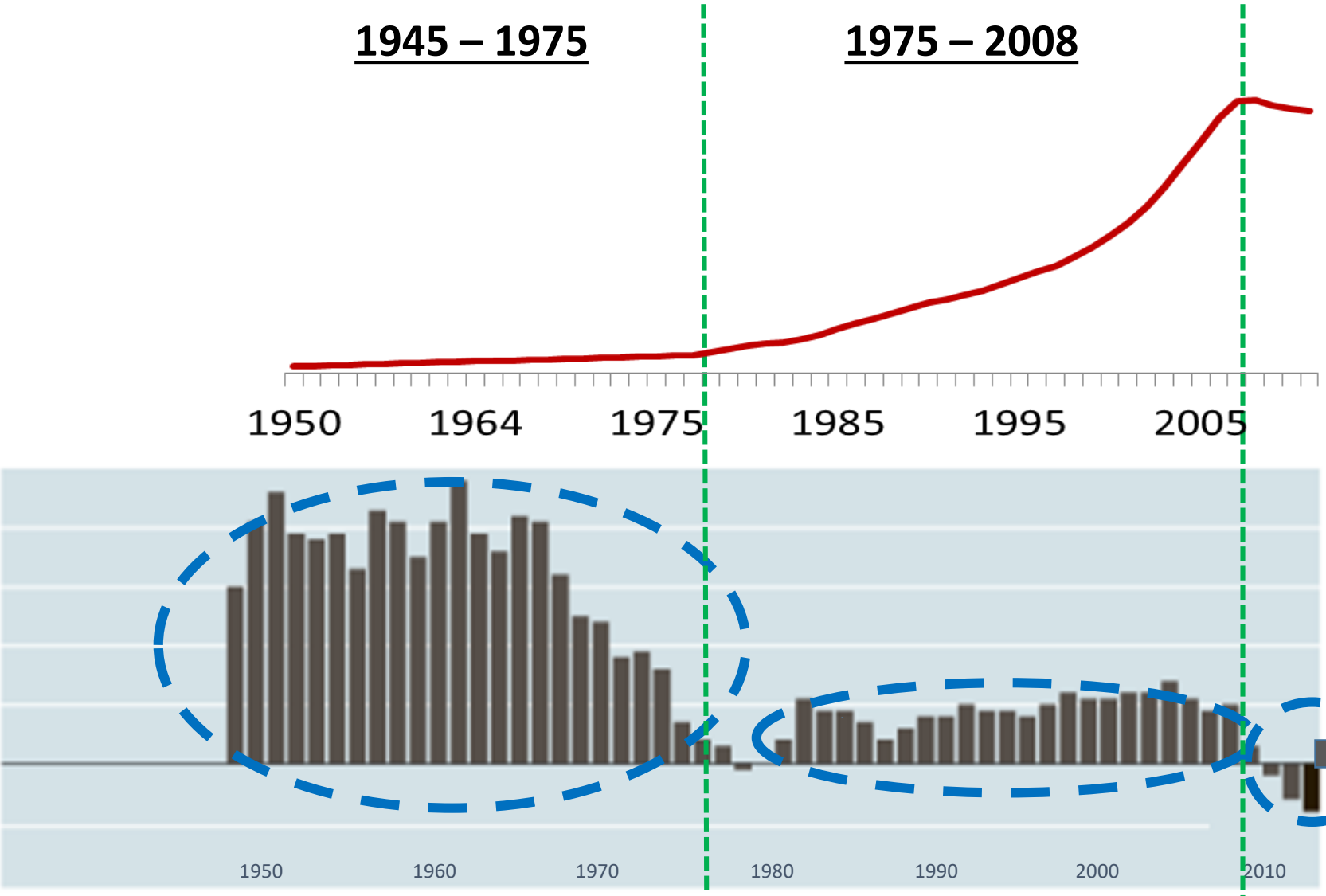
2008 – 2038

1950 1964 1975 1985 1995 2005

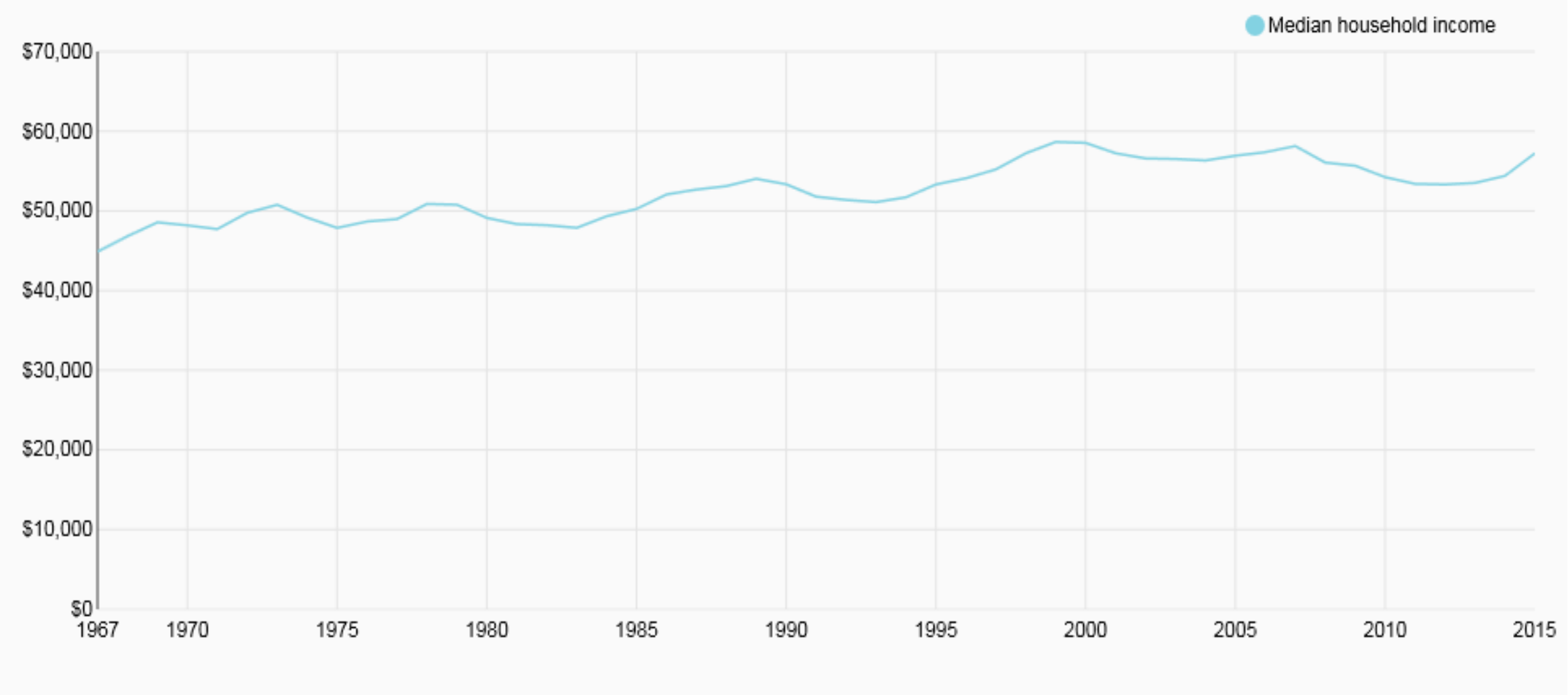
?

Real MHI

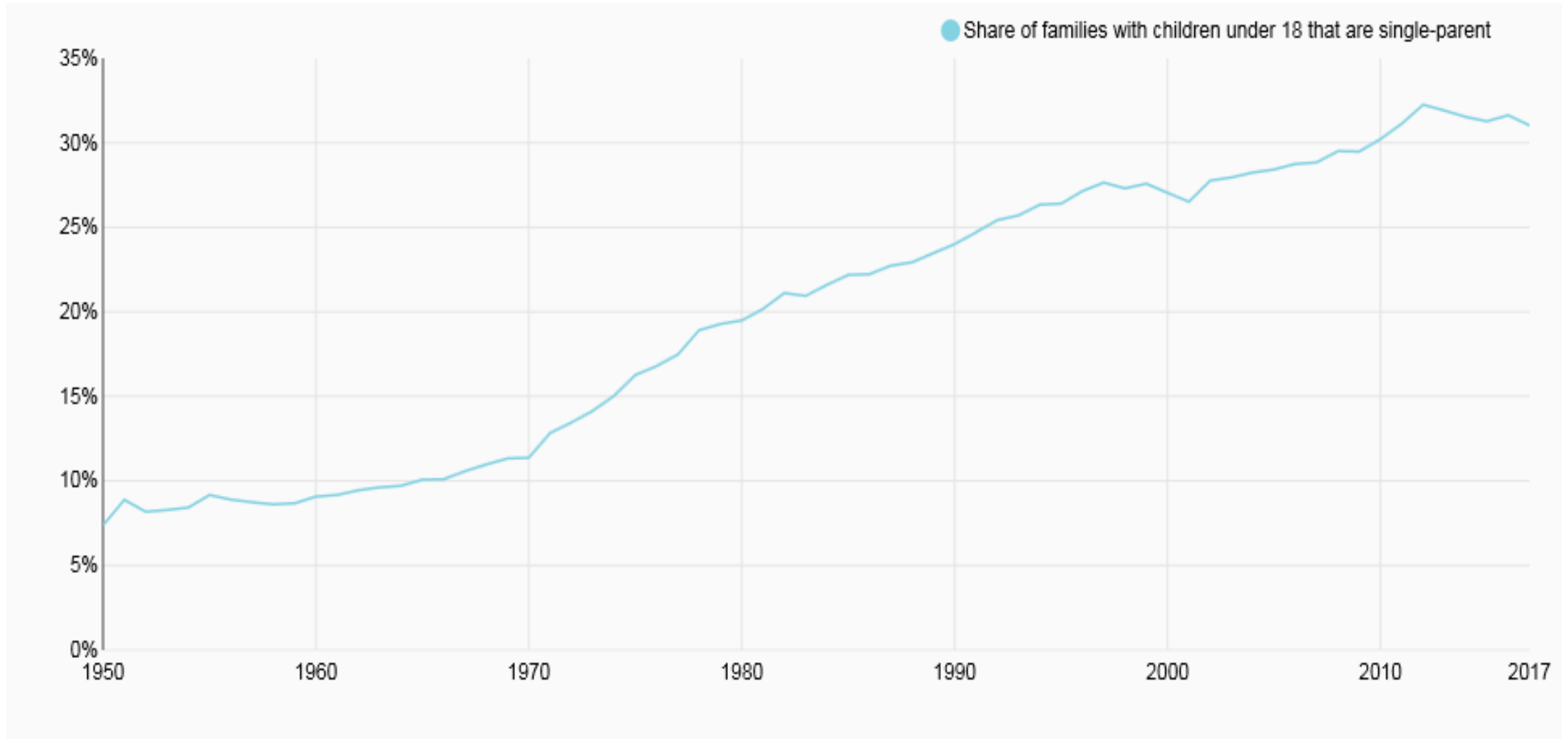
1950 1960 1970 1980 1990 2000 2010



US Middle Class HH Incomes Have Been Flat for 50 Years

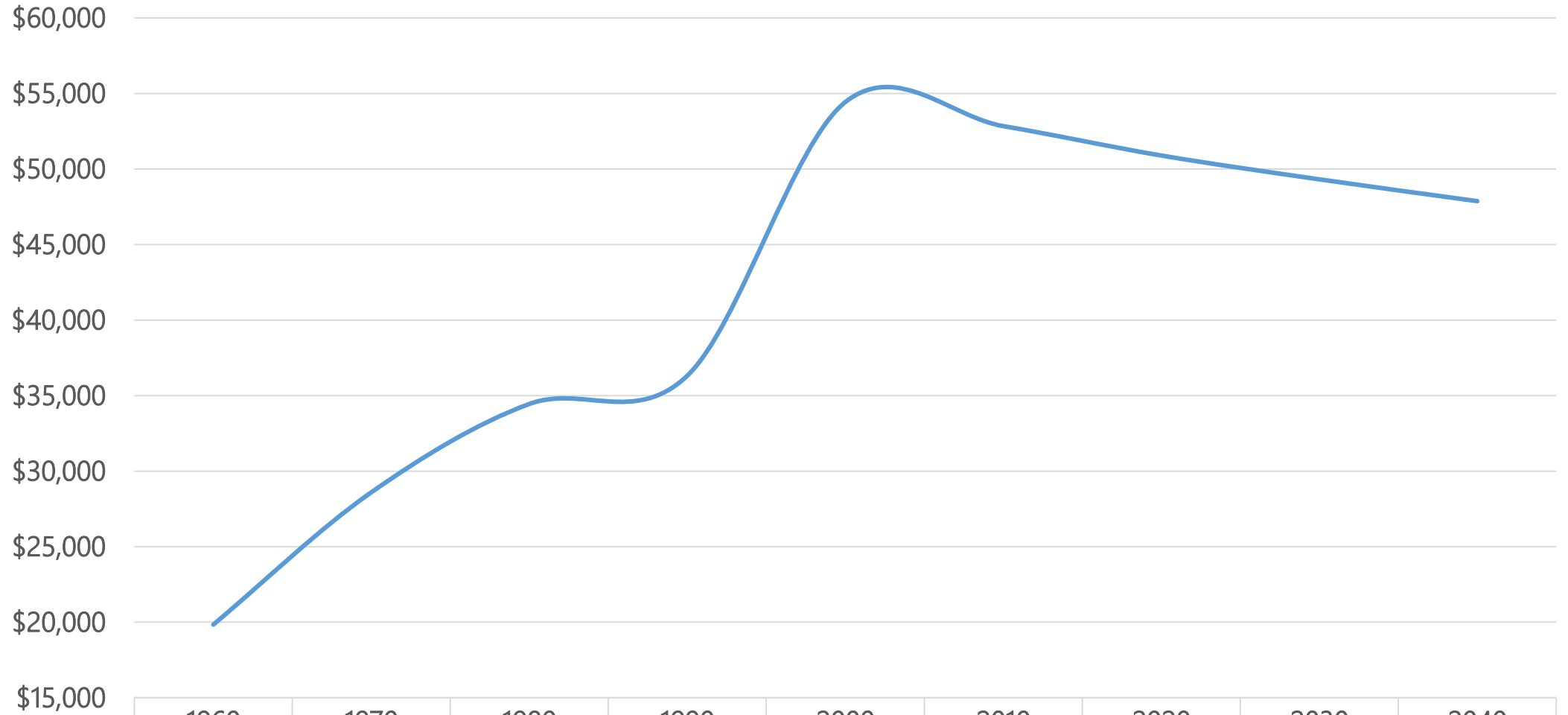


Share of Single-Parent Families has Tripled Since 1950



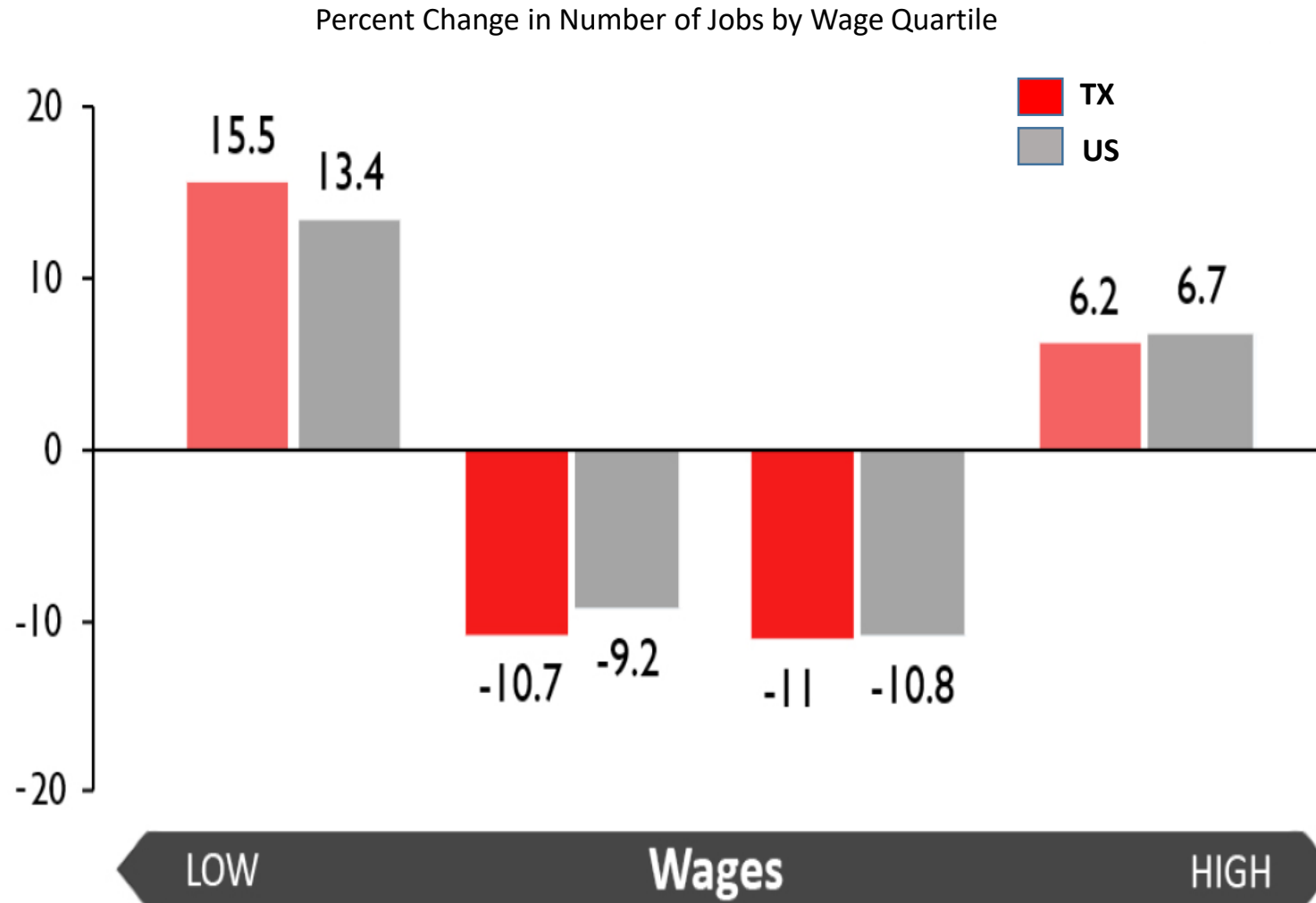
- Much of the increase in MHI since WWII has been from women entering the workforce and having two incomes in the HH
- The tripling of single-parent HHs since the 70s hurts MHI and the ability of families to grow their standard of living

Texas Average Household Income 1960 to 2040



	1960	1970	1980	1990	2000	2010	2020	2030	2040
— Average HH Income	19,848	28,605	34,455	36,325	54,441	52,849	50,903	49,326	47,883

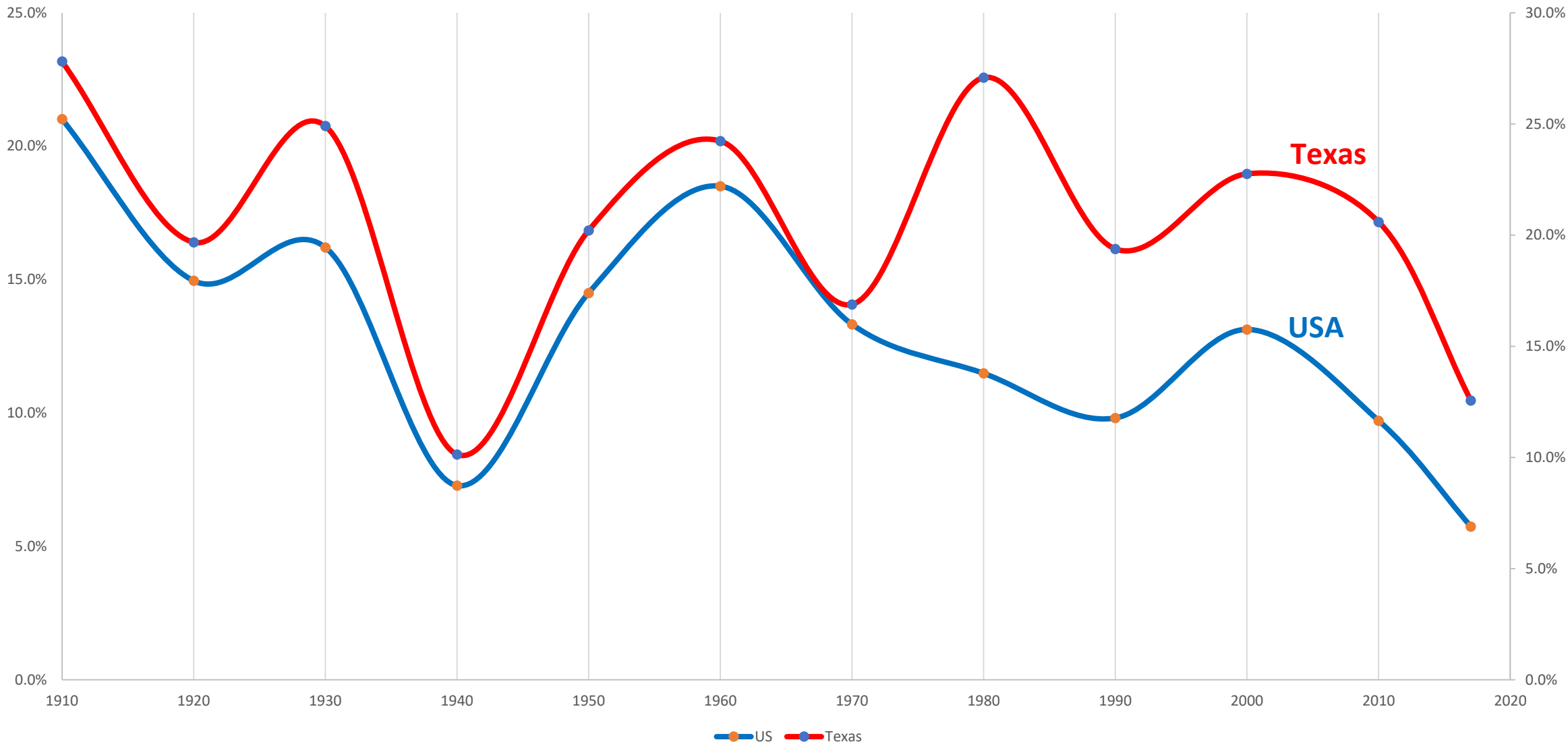
Middle Wage Jobs in Decline in the USA and in TX 1979 – 2014



Population Growth

Population growth in Texas has often been higher than US growth and the gap has increased since 1980

Population Growth vs Previous Decade % Change



Grocery Retail - A Math Problem

Typical Grocery Company Income Statement

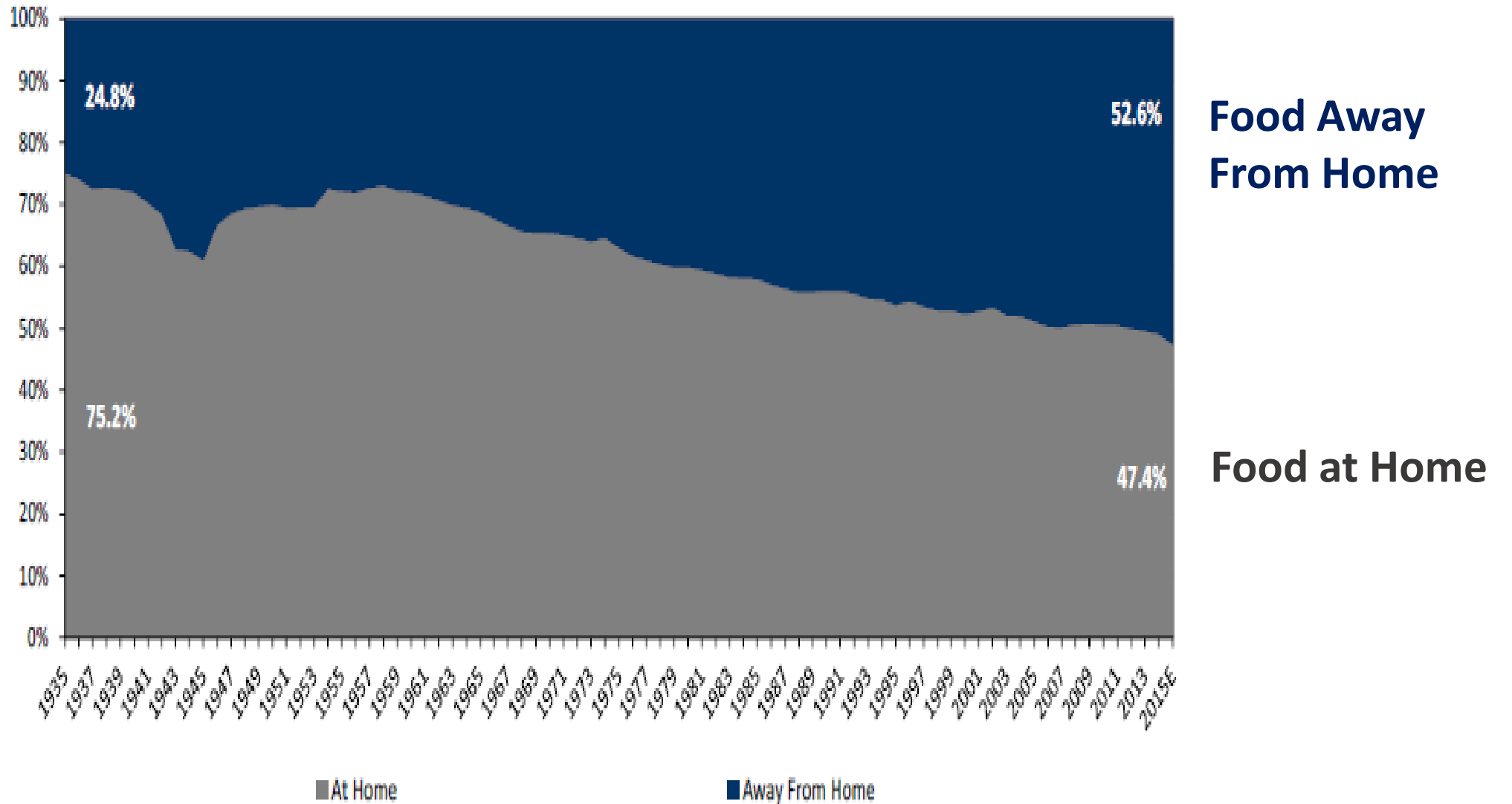
	Typical Industry Income Statement
Sales/store	• \$500k / week
	\$9 sales / sq. ft./wk
Cost of Goods	• 74%
Gross Profit	• 26%
Labor Costs	• 13%
Other Costs	• 11%
Total Expense	• 24%
EBIT	• 2%
Net After-tax Profit	• 1.4%

What if?

- Lower prices 14%
- Raise wages, benefits, training
- Give 2-3x as much to communities

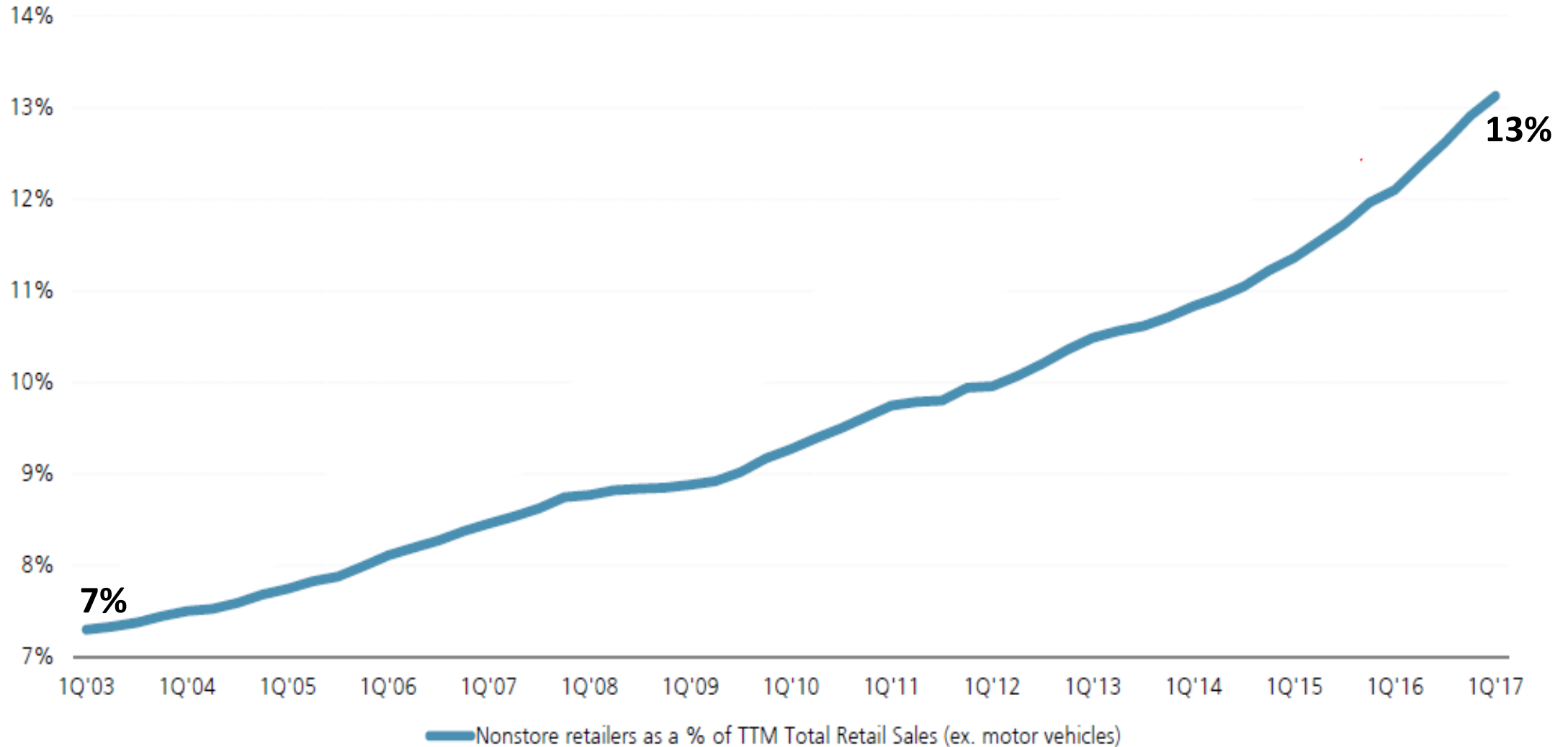
→ **1 ½ pennies becomes....?**

Trend Towards Food Away From Home 1935 – 2015

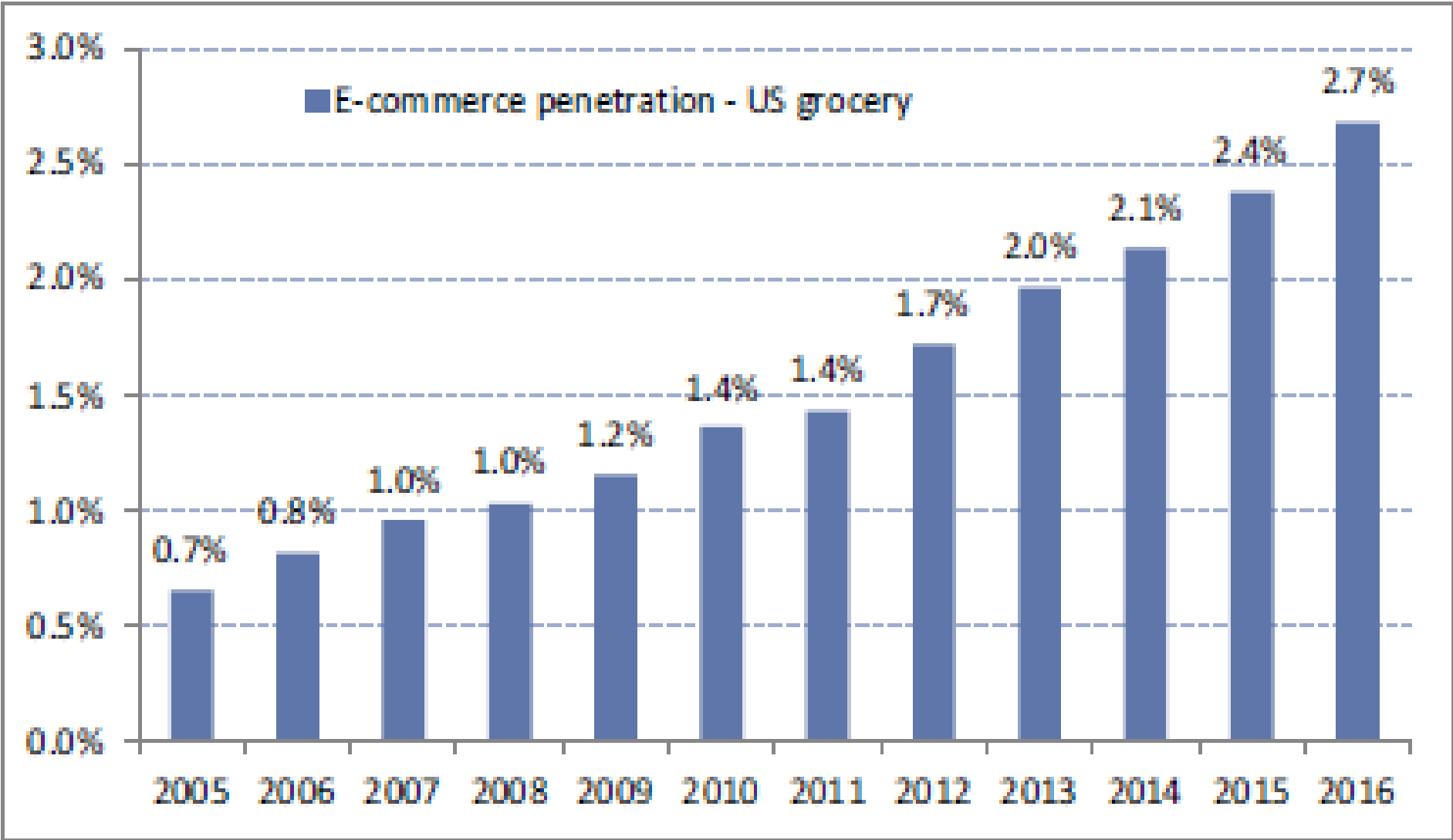


Customers Increasing eCommerce Spending as % Total US Retail Sales

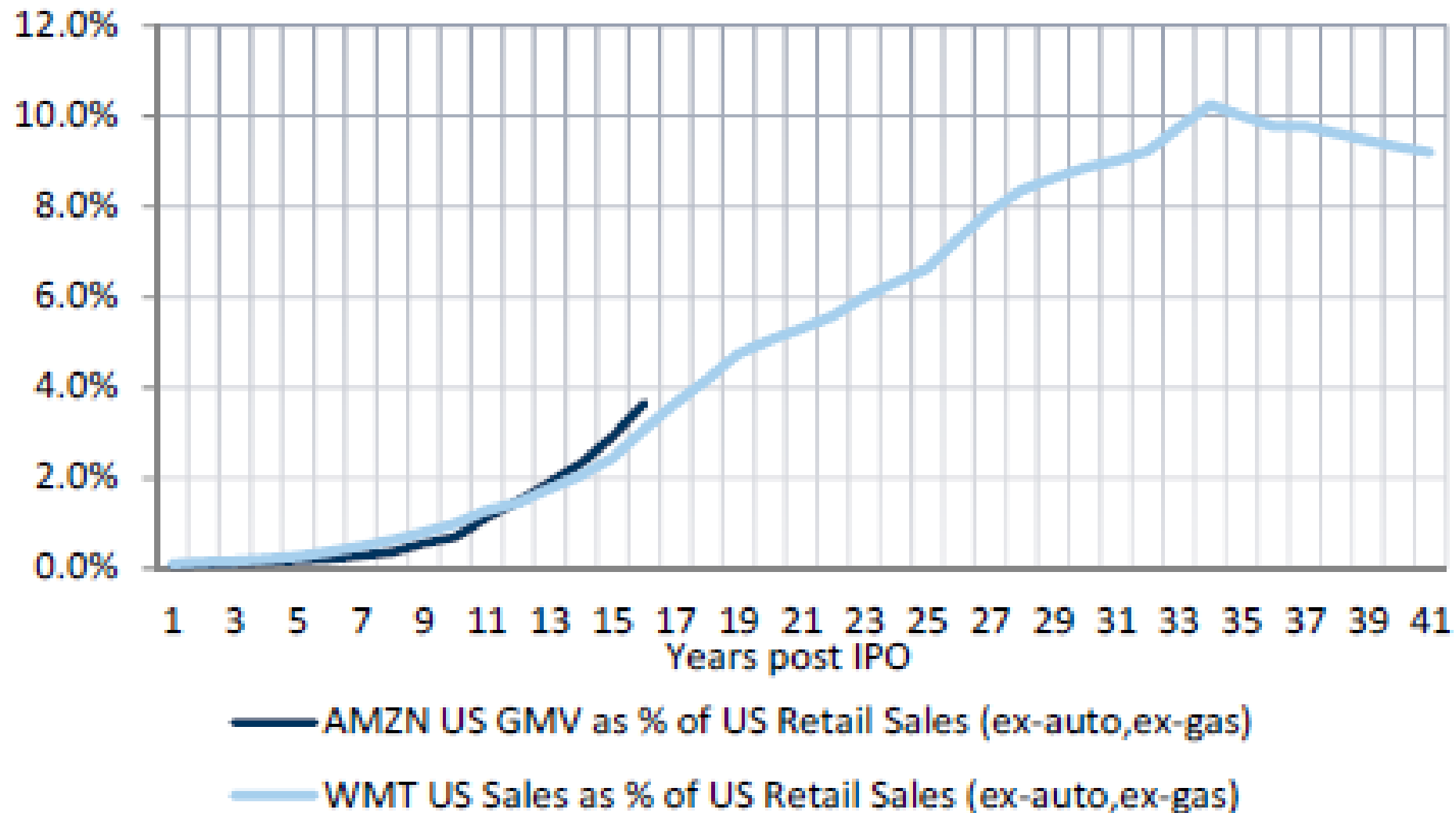
Non-Store Retail as % of Total Retail Sales



Grocery eCommerce Spending Limited But Growing Strongly

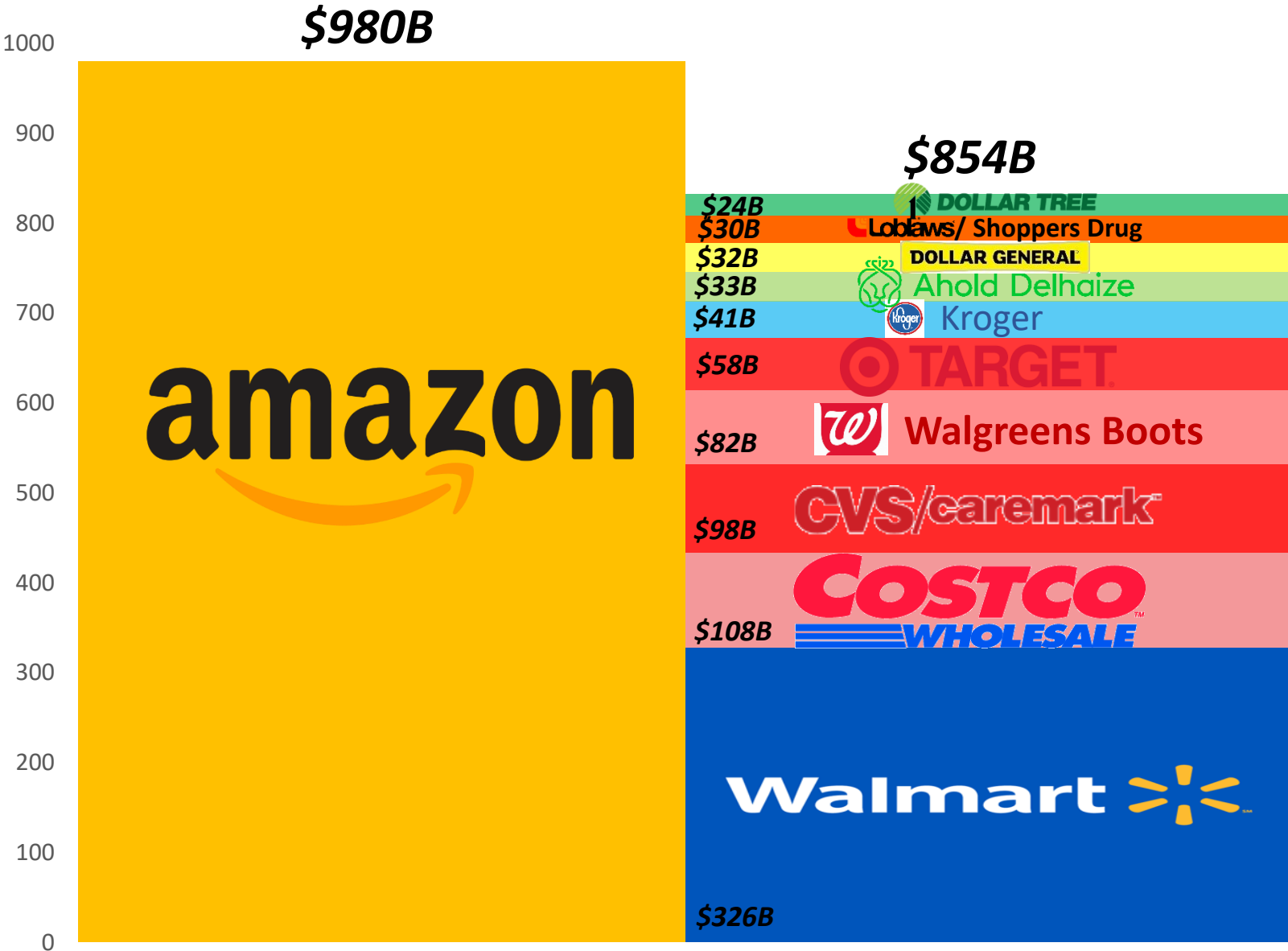


Amazon Share of US Retail Sales Mirrors What WMT Share Did Post IPO



Amazon Versus Top 10 Largest Market Cap Retailers

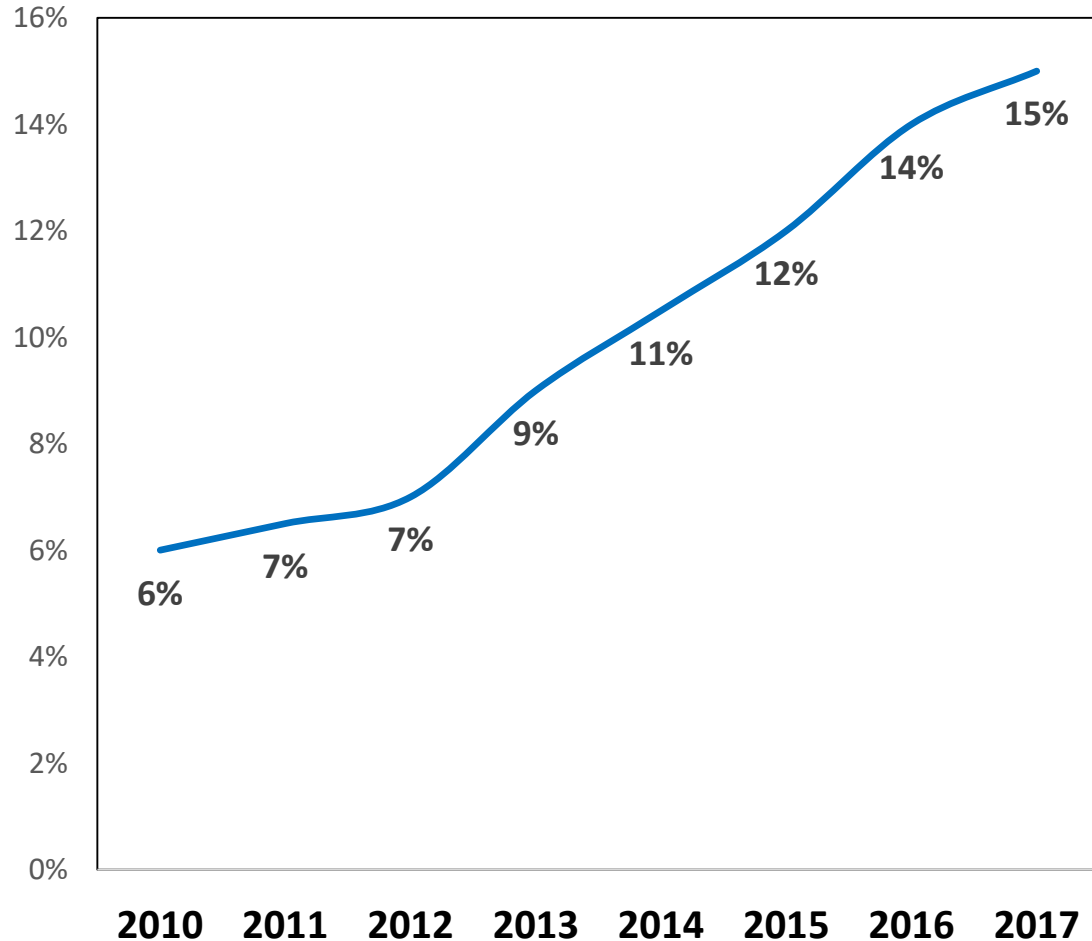
Sept 10, 2018 Market Cap Data



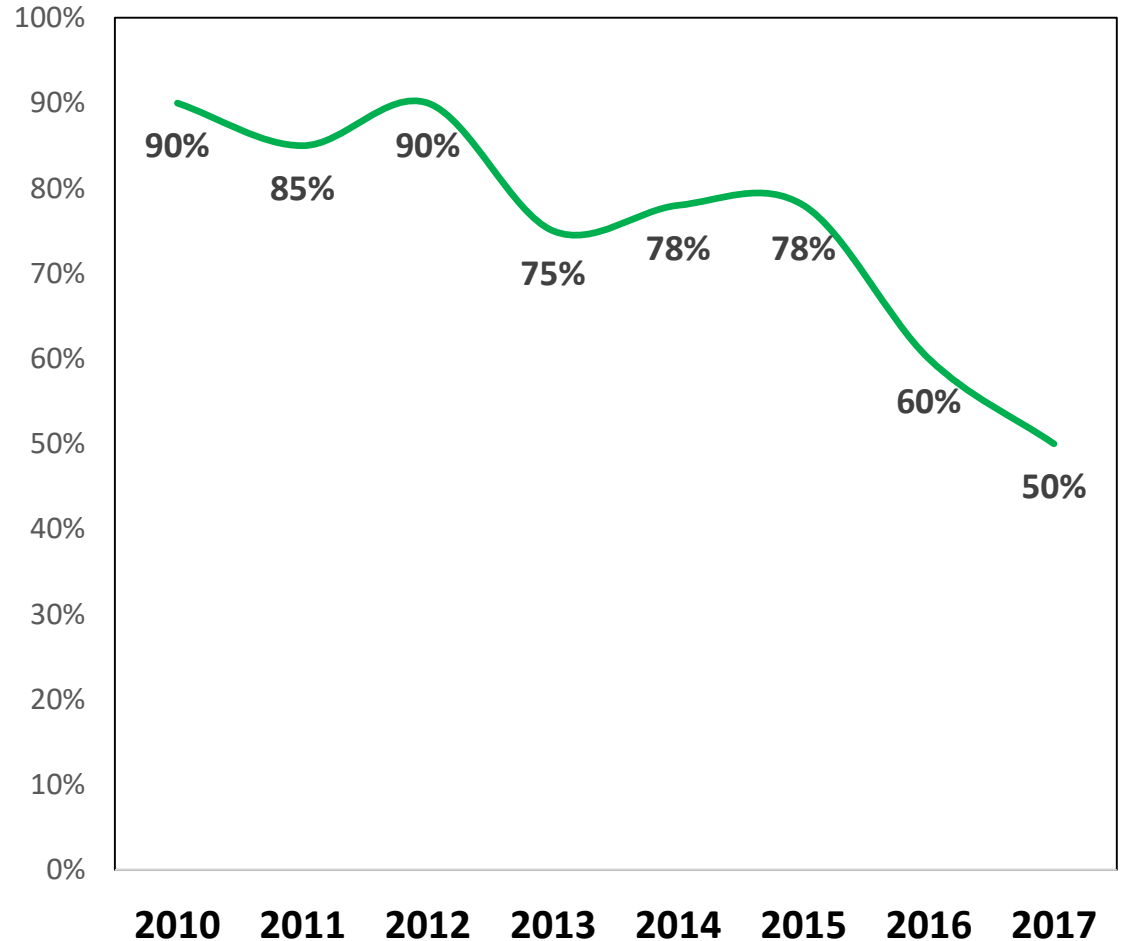
Getting Omni-Channel Right Matters

Department Store Relative Enterprise Value Multiples Cut in Half as Online Penetration Rises

Online Penetration %



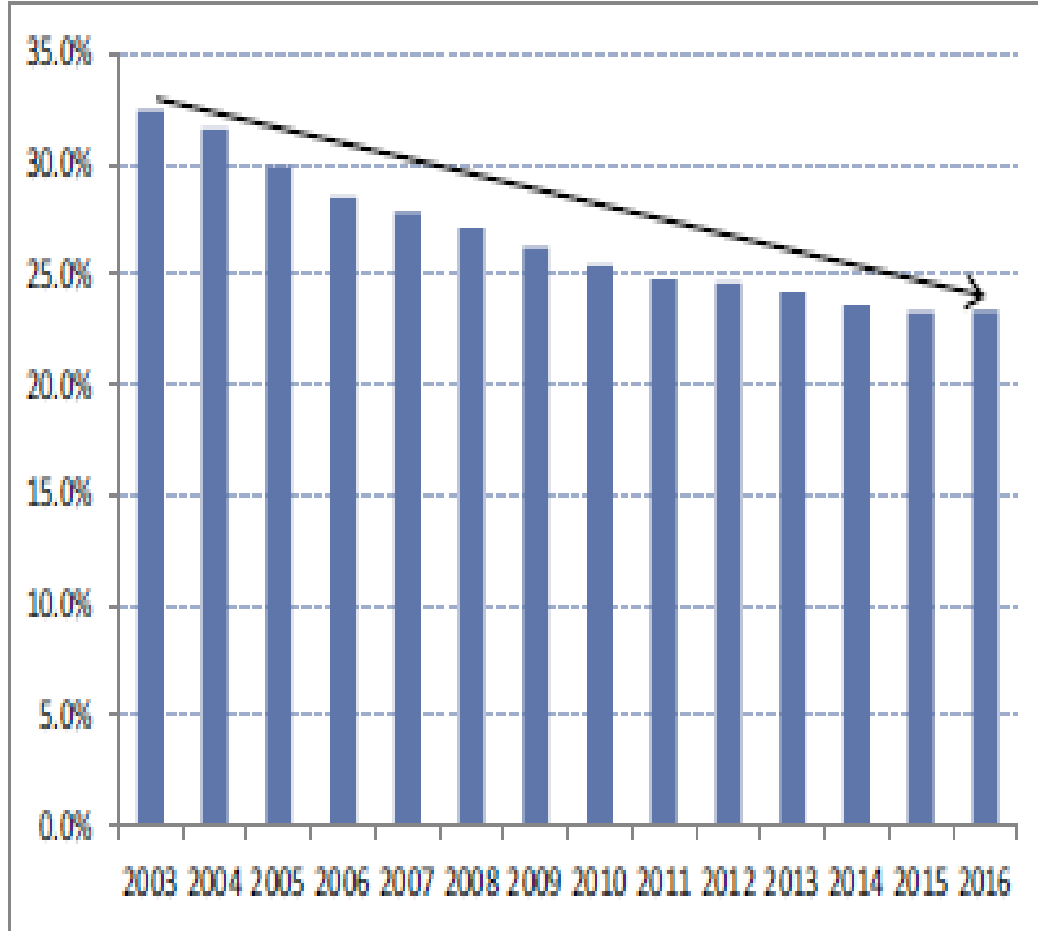
Relative EV / EBITDA



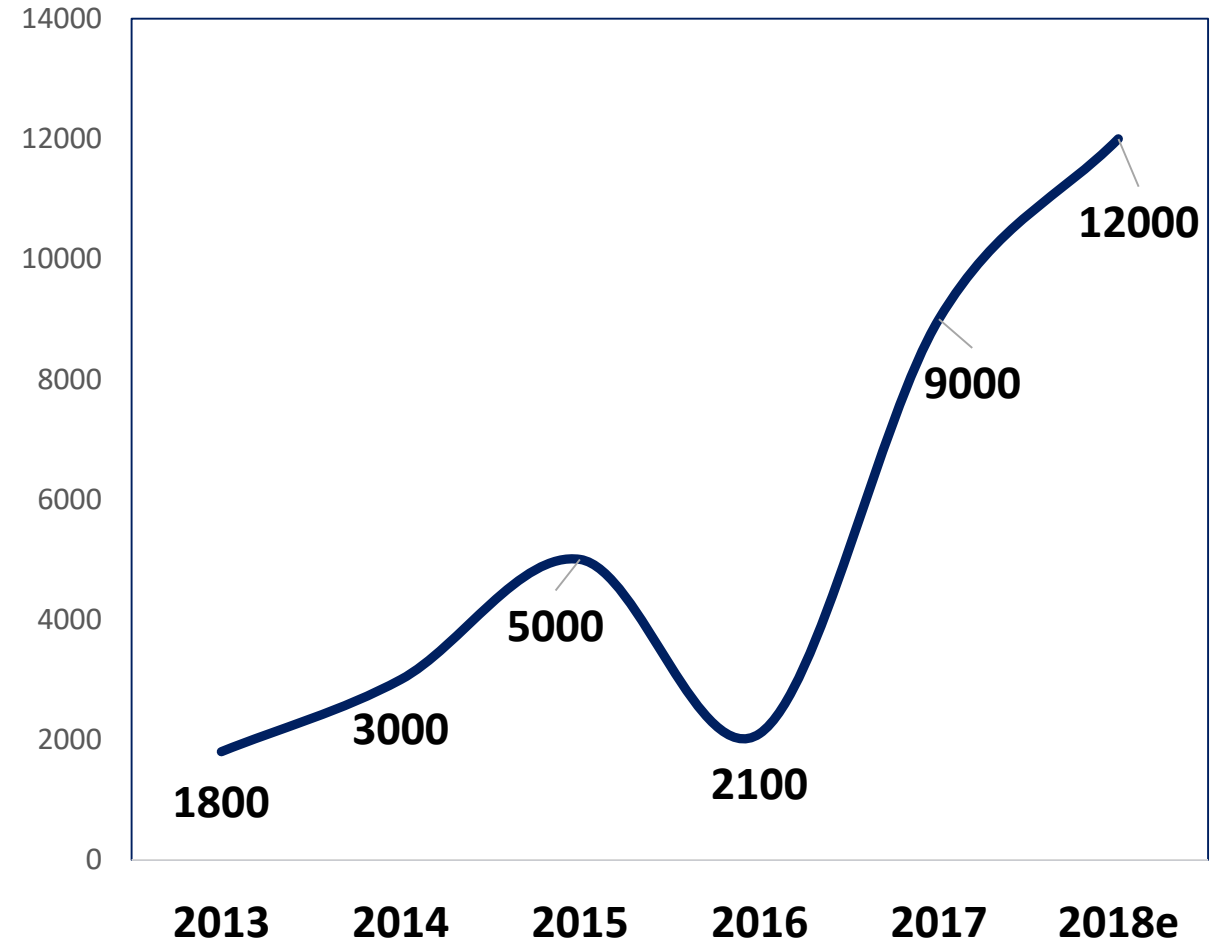
Restless Dissatisfaction Required

Traditional Grocery Retail is Under Pressure

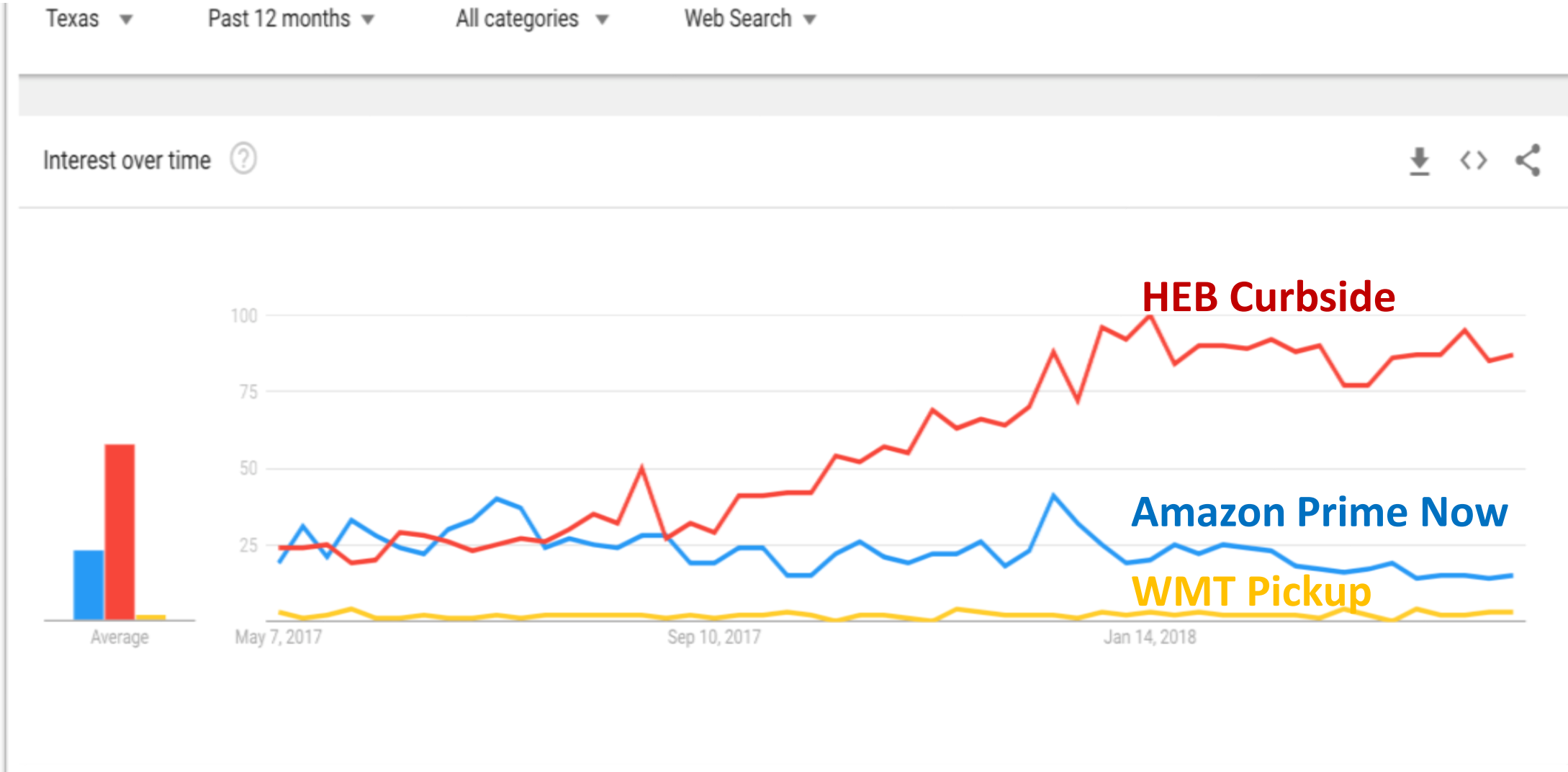
Grocery Industry Share Continues to Decline



Total Retail Store Closures Per Year



Customer Interest for HEB Curbside Google Searches Over the Past Year in Texas



Advice for You

Leadership Lessons

1. Be a **Constant Student**

- Be data-driven
- Multi-faceted / end-to-end thinking
- Overcome your biases / assumptions
- De-average

2. **Be the Question** and an invitation to a discussion

- Listen more and ask more questions
- Balance advocacy and inquiry
- Be a coach, not a judge and jury

3. **Restless Dissatisfaction**

- Continually improving and iterating
- Fear complacency
- Strive to create a new future
- Set a high bar of expectations

Leadership Lessons

4. Don't Waste a Problem

- Really get inside the problem and look at it from all angles
- How can it help you be much better?
- Deeply rethink our model and approach

5. Capture the Power of People

- Value others and seek various perspectives
- Have a servants heart
- Help others be successful
- Collaboration matters greatly

6. Create Purpose and Passion

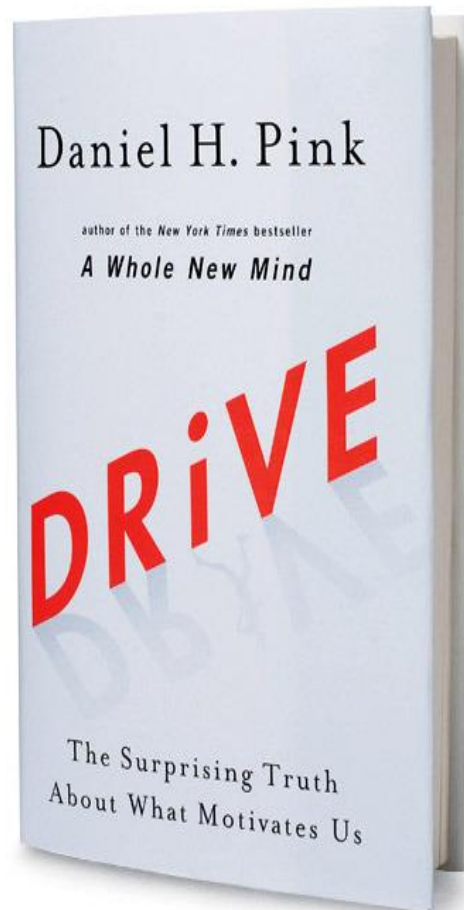
- Inspire others and seek inspiration
- Fight for a common cause and sense of purpose
- Hire for attitude
- Be real, have fun

Personal and Financial Management

- **Stay in School – the best predictor of your future standard of living**
- **Budgeting**
- **Debt**
- **Live within your means**
- **Invest in friendships and in people around you**

Drive, The Surprising Truth About What Motivates Us

Daniel Pink



- Mastery
- Autonomy
- Purpose

Many Career Paths in a Vertically Integrated Purpose-Driven Business

- Store leadership
- People leadership in a Good Jobs company
- Business development managers / CEO of their categories
- Unique and distinctive product development
- eCommerce and Digital business units
- App and tech development
- Social media and marketing
- Big data and customer analytics in tailored retailer
- Finance and accounting analytics
- A leading real estate company
- Transforming one of the best supply chains in retail
- Large scale advanced manufacturing