



Presentation of Q1 2022/23

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*This presentation is translated from the Icelandic version which was published on June 30th, 2022. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Overview

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Quarter in a nutshell: Key figures

Q1 2022/23 (changes from Q1 2021/22)

38.2 b.ISK

sales

▲ 19.3%

2.7 b.ISK

EBITDA

▲ 17.1%

0.9 b.ISK

profit

▲ 27.4%

19.8%

gross margin

▼ 1.6%pt.

13.3%

salaries- and costs ratio

▼ 1.5%pt.

40.2%

equity ratio

▼ 1.0%pt.

Sales increased by 19% between the years

- **Operations in the first quarter were successful**, with a 19% sales increase between the years and a total profit of 27% over the previous year
- **Units sold** in grocery stores **rise between years** and **customer visits increase** also over 10% in the quarter - **volume increase in fuel litres in Q1 is just over 17%**
- **Gross profit in ISK increases by 10.4%** between years, but **the margin ratio decreases** by 1.6 percentage points, mainly **due to increased fuel sales to bulk users** and **a rise in world market prices**
- The consequences of COVID-19 and **the war in Ukraine have led to rising supply prices** and increased the likelihood of products shortages in individual product categories
- Progression in innovation in the food industry - **12 projects received grants from Uppsprettan**, Hagar's Innovation Fund
- In March 2022, an agreement was finalised for **Hagar's purchase of all shares in Eldum rétt Ltd.** - the purchase is subject to CA approval
- In June 2022, Hagar **signed a settlement with the Competition Authority** regarding the company's **purchase of new shares in Klasi Ltd.**



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Dananar

STÓRKAUP

mjöll frigg

ZARA



Stores and warehouses: Increased sales and increased visits

Income Statement Q1 2022/23 (m.ISK.)

- **Sales** from groceries, specialty articles and warehouses **increased by over 5% between years and amounted to 24.8 b.ISK** - EBITDA was almost **1.9 b.ISK (7.5%)**
- **Comparisons with Q1 2021/22 is significantly affected by discontinued / sold operations**, but Hagkaup Selfoss and Bónus Korputorg were **closed**, and Útilíf and Reykjavíkur Apótek **sold**, in the meantime - **the growth of the underlying operations is actually higher**
- **Units sold** in grocery stores **increase between the years** and **customer visits increase by just over 10%** in the quarter
- **Increased cooperation in the operation of Aðföng and Bananar** is proceeding well and creates long-term efficiency
- Continued **sales growth at ZARA** and **Stórkaup** takes off with a good start

	Q1 '22/23	Q1 '21/22	Δ	%Δ
Income	24.788	23.512	1.276	+5,4%
Expenses	-22.920	-21.529	-1.391	+6,5%
EBITDA	1.868	1.983	-115	-5,8%
<i>EBITDA %</i>	<i>7,5%</i>	<i>8,4%</i>	<i>-0,9%</i>	<i>-10,6%</i>
EBIT	1.060	1.192	-132	-11,1%
<i>EBIT %</i>	<i>4,3%</i>	<i>5,1%</i>	<i>-0,8%</i>	<i>-15,7%</i>



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ZARA

Bónus: Extended opening hours return more visits and increased sales

- **Sales in Q1 amounted to just over ISK 17.3 b.ISK** and increased by 9% from the previous year
- **Extended Bónus stores opening hours** well received and **continues to increase the number of customers and growth in sales**
- **New Bónus store opened in May at Norðurtorg in Akureyri** - Norðurtorg is a new powerful shopping centre that **serves Akureyri and the surrounding area, and travellers around the country**
- **Bónus opens a new and impressive store in Norðlingaholt** around the middle of the year 2023
- **Bonus usually with the lowest price** according to the latest ASÍ survey, and as before the most cost-effective shopping basket



Hagkaup: Exiting developement in real and digital worlds

- Sales of goods in Q1 amounted to just over 5.5 b.ISK and was similar to the same time last year
- It is pleasing to see that the volume of the retail is similar to last year, despite the fact that more Icelanders have travelled abroad in the quarter
- Ongoing work in the coming months with the brand name and services offered - implementation in stores will start soon
- Further development of Hagkaup's excellent online store has begun, but toys will be added in the autumn.
- The deli store Sælkerabúðin will open a meat section in Hagkaup Garðabær and Kringlan towards the end of the summer - a profound addition for customers
- Lemon will open a new restaurant in Hagkaup in Garðabær in the coming weeks

HAGKAUP



Olís: Considerable volume increase between years



Income Statement Q1 2022/23 (m.ISK.)

- **Sales in Q1 amounted to 13.9 b.ISK** and increased by 58% between the years - **EBITDA amounted to 800 m.ISK** (5.8%) and increases by just over 500 m.ISK. from the previous year
- Significant **increase in fuel litres sold** between the years, or just over 17% - a proportionally larger increase by **bulk users**
- **Margins in retail about as expected**, but **above plan for bulk users** - the quarter's results are also reasonably affected from **positive one-off items**, as two sites were sold during the period
- **Optimisation measures** undertaken in the retail and corporate sections **result in lower operating costs** - further alterations ahead
- **Goods categories related to operational, hygiene and healthcare operational products** were transferred from **Olís over to Stórkaup** in May with good results
- **Lemon recently opened at Gullinbrú**, and "Lemon mini" opened in Borgarnes some days ago

	Q1 '22/23	Q1 '21/22	Δ	%Δ
Income	13.876	8.762	5.114	+58,4%
Expenses	-13.076	-8.467	-4.609	+54,4%
EBITDA	800	295	505	+171,2%
<i>EBITDA %</i>	<i>5,8%</i>	<i>3,4%</i>	<i>+2,4%</i>	<i>+71,2%</i>
EBIT	631	112	519	+463,4%
<i>EBIT %</i>	<i>4,5%</i>	<i>1,3%</i>	<i>+3,3%</i>	<i>+255,8%</i>



***Klasi*: Settlement with CA signed for purchase of the Klasi Ltd. shares**

- **On June 10th a settlement was signed between Hagar and the Competition Authority on provisions for Hagar's purchase of the shares in Klasi Ltd.**
- **The provisions that Hagar undertakes to abide by are the following:**
 - ***Hagar's obligation to notify the Competition Authority regarding agreements on Hagar's purchase or lease of properties for grocery stores that will be developed and constructed under the management of Klasi or Reginn***
 - *Notification shall be received by the Competition Authority **within five working days** of the completion of a binding agreement between the parties.*
 - *Hagar may **request a resumption or review of the settlement** three years after the implementation of the merger*
- **The transactions will be implemented in the coming weeks, but the financial impact of the acquisition is expected to materialise in the second quarter 2022/23.**
- **The estimated effect on EBITDA is 940 m.ISK and 750 m.ISK after tax profit**



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Good quarter behind with sales increase and improved results

Consolidated Financial Statement Q1 2022/23 (m.ISK)

- **Sales in Q1 grew** by 19.3% between the years or by 6.2 b.ISK
- **Gross profit in ISK increased**, mainly due to increased fuel volume sales to bulk users at Olís
- **The margin ratio** decreased from 21.4% to 19.8%
- **Salaries increased** by 5.9% between the years and **operating expenses grew by 10.0%**, mainly due to work on updating brand name, fuel price increases and index-linked costs.
- **Finance expense grew** by 39.5%, but almost half of long-term liabilities are **indexed**
- Good revenue upturn as **EBITDA grew by 17.1% and profit by 27.4% between the years**

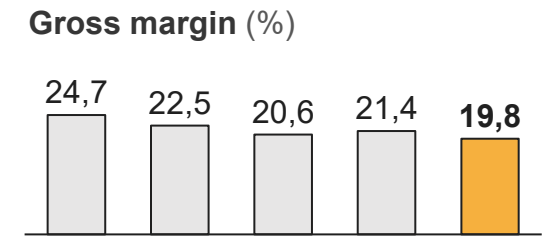
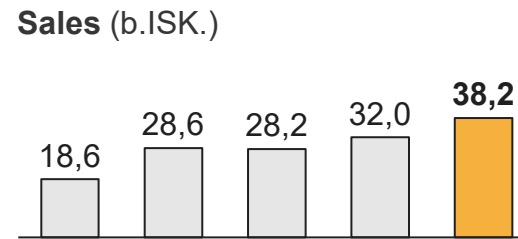
	Q1 '22/23	Q1 '21/22	Δ	%Δ
Sales	38.213	32.034	6.179	+19,3%
Gross profit	7.564	6.849	715	+10,4%
Other operating income	202	184	18	+9,8%
Salaries	-3.443	-3.250	-193	+5,9%
Other operating expenses	-1.655	-1.505	-150	+10,0%
EBITDA	2.668	2.278	390	+17,1%
Depreciation	-1.021	-1.005	-16	+1,6%
Net finance expense	-544	-390	-154	+39,5%
Profit for the period	926	727	199	+27,4%

Cost ratios improve between years

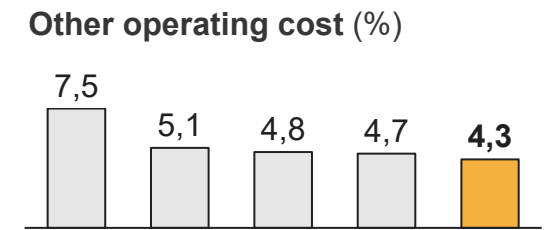
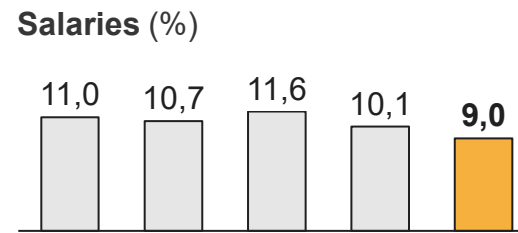
Operational key factors (3M 2018/19 – 3M 2022/23)

- **Continued sales growth between the years** - Olís became part of the Hagar Group 2019/20
- **Gross margin ratio** has been falling in recent years, e.g. due to a change in the company's structure with the merger of Olís and a declining specialty articles retail
- **Salaries and cost ratios** continue to improve, but the salary ratio has never been lower
- Implementation of **IFRS16 lease standard** explains the change in the cost and EBITDA ratio for the 2019/20 operating year
- **EBITDA ratio** 7.0% in Q1 22/23 and **profit ratio 2.4%**

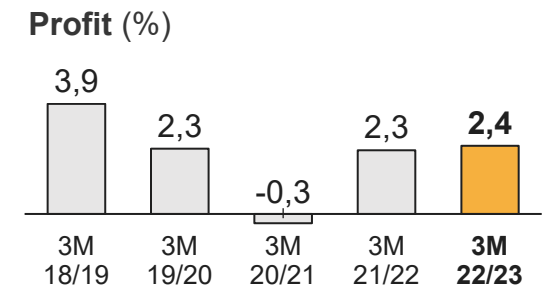
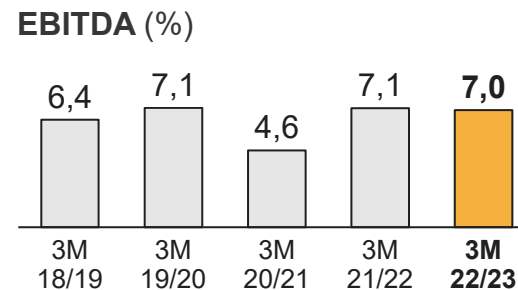
Sales and gross margin



Operating costs



Profit



Cash increased during the period

Consolidated Cash Flow 3M 2022/23 (m.ISK)

- **Cash from operations** during the period amounted to 2.0 b.ISK and decreased compared to the previous year by 537 m.ISK
- **The reduction in cash** can be a.o. attributed due to rising inventory where fuel prices per litre has risen sharply in recent quarters
- **Investment in equipment and interior furnishings** amounted to 479 m.ISK at Q1 which is a.o. due to the opening of a new Bónus store at Norðurtorg in Akureyri and the makeover of Olís service stations
- **Cash increased** by 430 m.ISK during the quarter and amounted to 1.2 b.ISK at the end of the period

	3M 2022/23	3M 2021/22	Change
Profit for the period	926	727	199
Adjustments	1.674	1.415	259
Working capital	2.600	2.142	458
Change in current assets	-1.600	-652	-948
Change in current liabilities	1.459	1.470	-11
Interest and taxes paid	-489	-453	-36
Cash provided by operating activities	1.970	2.507	-537
Investment activities	-504	-438	-66
Financing activities	-1.036	-1.126	90
Change in cash	430	943	-513
Net cash at the end of the year	1.213	1.331	-118

Group's strong economical standing

Consolidated Balance Sheet May 31st 2022 (m.ISK)

- **Non-current assets grew by** 475 m.ISK from the end of the year 2021/22
- **Current assets**, including assets held for sale, **increased** by 1.9 b.ISK from the end of 2021/22
- **Inventory increased** by 1.5 b.ISK from the end of the year 2021/22 due to higher fuel inventory value and increased activity - **inventory turnover** 10.6 compared to 11.2 last year
- **The credit period** for receivables is now 11.5 days, compared to 10.8 days last year
- **Equity** amounted to 27.2 b.ISK at the end of the period and the company held 21.6 m.ISK in **own shares** at the end of Q1
- **Receivables payable** increase due to increased sales and increased inventory value

	31. 5. 2022	28. 2. 2022	%Δ		31. 5. 2022	28. 2. 2022	%Δ
Property, plant and equipment	21.180	21.215	-0%	Borrowings	11.789	11.720	+1%
Intangible assets	10.776	10.723	+0%	Lease liabilities	7.250	6.918	+5%
Other non-current assets	13.583	13.126	+3%	Income tax	2.657	2.312	+15%
Non-current assets	45.539	45.064	+1%	Non-current liabilities	21.696	20.950	+4%
Assets held for sale	2.388	2.388	-	Borrowings	449	451	-0%
Inventories	12.235	10.707	+14%	Lease liabilities	2.067	1.966	+5%
Trade receivables	6.209	6.250	-1%	Trade payables	15.377	14.329	+7%
Cash	1.213	783	+55%	Other	843	770	+9%
Current assets	22.045	20.128	+10%	Current liabilities	18.736	17.516	+7%
Total assets	67.584	65.192	+4%	Total liabilities	40.432	38.466	+5%
Liabilities and equity	67.584	65.192	+4%	Total equity	27.152	26.726	+2%

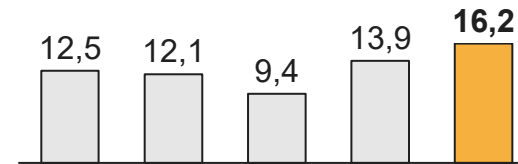
Increased return on equity in recent quarters

Economic key factors (3M 2018/19 – 3M 2022/23)

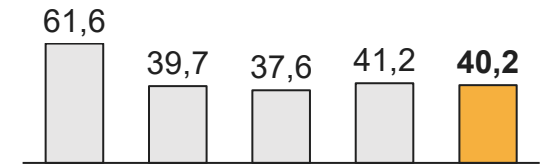
- **Return on equity 16.2%** in the past 12 months
- **The equity ratio** at the end of Q1 was 40.2%, compared to 41.2% at the end of Q1 last year
- **Net interest-bearing debt** at the end of Q1, including leasing liabilities, was 20.3 b.ISK or 1.9 x EBITDA
- **Net interest-bearing debt** at the end of Q1, excluding leasing liabilities, was 1.0 x EBITDA
- **The current ratio** at the end of Q1 was 1.18, compared to 0.84 at the end of Q1 last year
- **The cash conversion cycle** was 14.2 days, compared to 9.6 days last year
- **The assets turnover ratio** was 2.2 at the end of Q1, compared to 1.9 at the end of Q1 last year

Shareholders return

Return on equity (%)

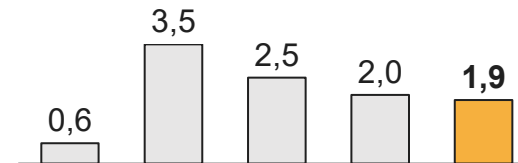


Equity ratio (%)

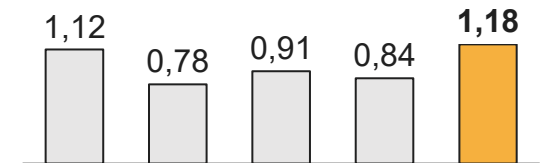


Risk in operations

Net debt/EBITDA¹

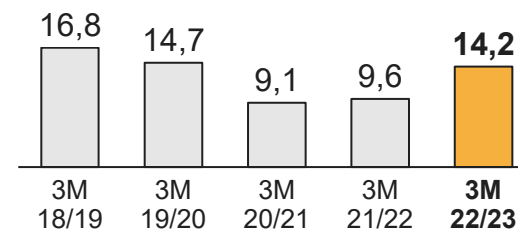


Current ratio²

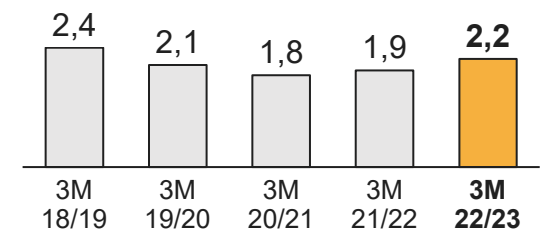


Efficiency of assets

Cash conversion cycle (# of days)³



Assets turnover ratio⁴



1) Net interest bearing debt (including leasing liabilities) / 12 months EBITDA 2) Current assets/ current liabilities
 3) Cash conversion cycle = number of inventory days + number of days for accounts receivables – number of days for accounts payable 4) Sale / assets

Overview

Highlights from operations

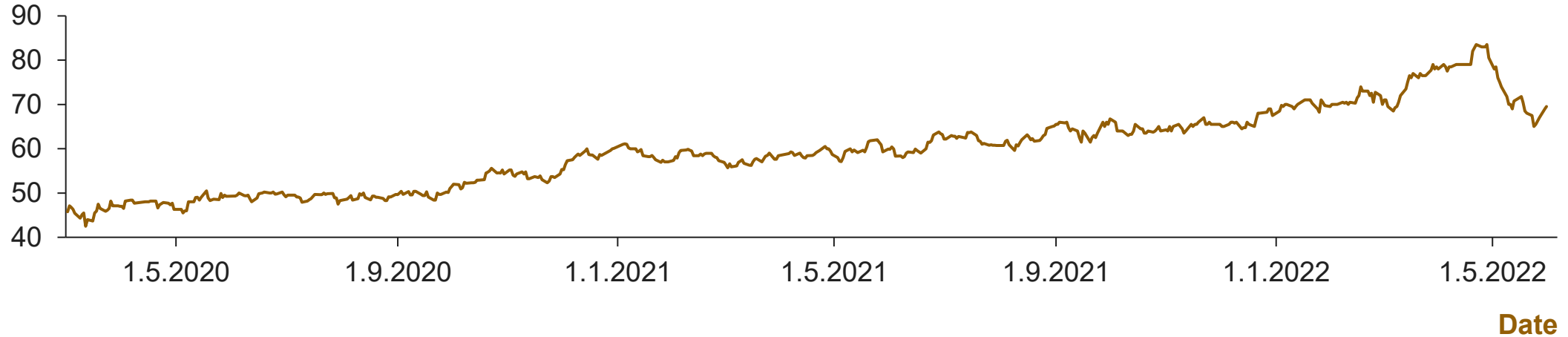
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Market price and largest shareholder

Market price

Closing price 31.05.2022: 69,5 ISK/share



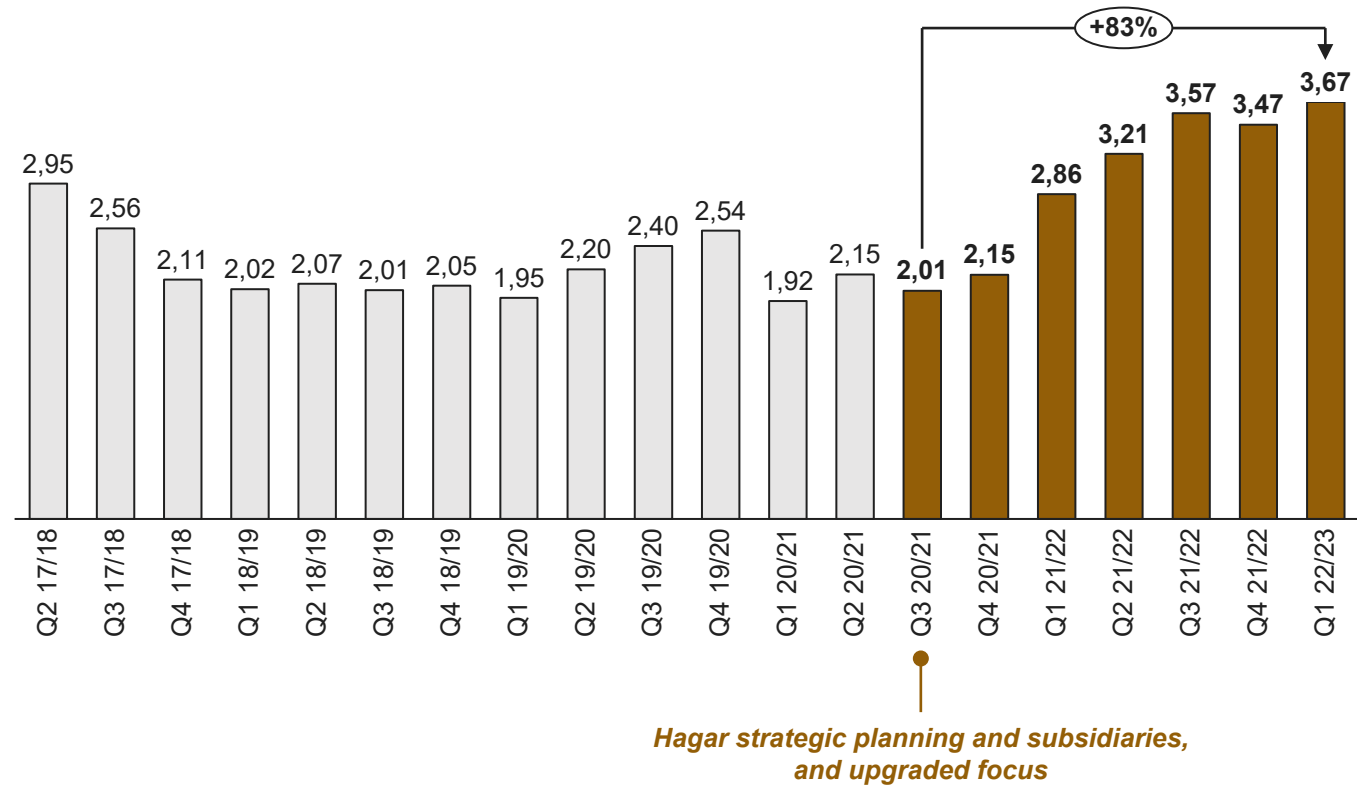
Largest shareholders, shares held at end of 31.05.2022

1. Gildi – Pension fund	18,7%	6. Stapi Pension fund	4,5%
2. The pen. fund A for state employees	11,1%	7. Samherji hf.	4,4%
3. The Pension fund of commerce	10,2%	8. Festa – Pension fund	4,1%
4. Birta Pension fund	8,0%	9. SL Pension fund	2,9%
5. Brú pen. fund, municipalities employees	6,5%	10. Icelandic securities - accounts	2,6%

Earning per share has grown in the last quarters

Accumulated earnings per share last 12 months (ISK per share)

- **Earnings per share have increased** in recent quarters, and the accumulated earnings are now **3.67 ISK per share** for the last 12 months
- **The benefits of the first actions** related to strategy work and streamlining have **materialised in recent quarters**
- Continued focus on **projects that affect short-term operations**, but also on **larger projects that affect the medium and long term timeframe**



Status and prospects



- **The impact of COVID-19 on the Group's operations has declined**, but the number of Icelanders traveling has increased and the number of foreign tourists in Iceland has grown.
- **Obstruction in the supply chain, due to the pandemic's consequences and the war in Ukraine**, have led to **rising supply prices** and increased the possibility of product shortages in individual product categories - continued **instability in world oil prices**
- Hagar seeks all measures **to ensure customers products and services at the most efficient prices**
- **The outlook for Hagar's operations is good** - the financial position is strong and the company is well positioned to meet the changed emphasis in operations and related projects
- **The management's recently updated guidance** for the operating year 2022/23 assumes that **EBITDA** will be in the range of **10,200-10,700 m.ISK** excluding impact due to the Klasi acquisition
- Hagar's Board of Directors has **approved a buy-back program in the amount of 500 m.ISK**





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